

MEETING

AUDIT COMMITTEE

DATE AND TIME

TUESDAY 17TH JULY, 2018

AT 7.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BG

TO: MEMBERS OF AUDIT COMMITTEE (Quorum 3)

Chairman: Councillor Anthony Finn BSc (Econ) FCA (Chairman),
 Vice Chairman: Councillor Peter Zinkin (Vice-Chairman)

Councillors

Councillor Laithe Jajeh	Councillor Kathy Levine	Councillor Alison Moore
Councillor Alex Prager	Councillor Danny Rich	

Independent Members

Geraldine Chadwick
 Richard Harbord

Substitute Members

Councillor Melvin Cohen	Councillor Lachhya Bahadur Gurung	Councillor Anne Hutton
Councillor Reema Patel	Councillor Lisa Rutter	Councillor Alan Schneiderman

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

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10am on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is Thursday 12 July at 10am. Requests must be submitted to maria.lugangira@barnet.gov.uk

Andrew Charlwood – Head of Governance

Governance Services contact: Maria Lugangira 020 8359 2761
maria.lugangira@barnet.gov.uk

Media Relations Contact: Gareth Greene 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)	
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11.	Internal Audit Exception Recommendations Report and Q1 Progress Report 1st April to 30th June 2018	247 - 308
12.	Corporate Anti-Fraud Team (CAFT) Q1 Progress Report 2018-19	309 - 322
13.	Annual Report of the Audit Committee 2017-18	323 - 338
14.	Committee Forward Work Programme	339 - 344
15.	Any item(s) the Chairman decides are urgent	
16.	Motion to Exclude the Press and Public	
17.	Any exempt item(s) the Chairman decides are urgent	

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020 8359 2761 maria.lugangira@barnet.gov.uk. People with hearing difficulties who have a text phone, may telephone our minicom number on 020 8203 8942. All of our Committee Rooms also have induction loops.

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Decisions of the Audit Committee

19 April 2018

Members Present:-

AGENDA ITEM 1

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

Councillor Geof Cooke
Councillor Anthony Finn
Councillor Kathy Levine
Councillor Arjun Mittra

Councillor Peter Zinkin
Harbord
Chadwick (Independent Member)

1. MINUTES OF LAST MEETING

The Chairman informed the Committee that responses to actions arising from the last meeting had been circulated to Members.

RESOLVED that the minutes of the meeting held on 31st January 2018 be approved as a correct record.

2. ABSENCE OF MEMBERS (IF ANY)

None.

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

None.

4. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

5. PUBLIC QUESTION AND COMMENTS (IF ANY)

Mr John Dix made a public comment on agenda item 11 (External Audit Plan 2018/19).

The Committee noted the details of the received public questions and the responses which had been published in advance of the meeting. Responses to the supplementary public questions were provided verbally by the Chairman and officers at the meeting.

In relation to the response to question 8, officers undertook to confirm to Mr Dix that relevant policies and procedures were actively communicated to people delivering services offsite. **Action: Paul Clarke / Gillian Clelland**

6. MEMBERS' ITEMS (IF ANY)

None.

7. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS REPORT AND Q4 PROGRESS REPORT 1ST JANUARY TO 31ST MARCH 2018

Caroline Glitre, Head of Internal Audit, presented the Internal Audit Exceptions Recommendations and Quarter 4 Progress Report for 2017/18.

In relation to Potential Duplicate Payments – Control Design, Gillian Clelland, Assistant Director Finance CSG, undertook to provide confirmation regarding who would pay for the third-party software which would introduce automated controls relating to duplicate payments. **Action: Paul Clarke**

RESOLVED that:

- 1. The Committee note the work completed to date on Internal Audit Quarter 4 Progress Report (1st January to 31st March 2018).**
- 2. The Committee request that the Performance & Contract Management Committee be requested to consider a report on the management of the Conways Aecom contract including: highways key performance indicators; and mechanisms for issue resolution.**

8. CAFT ANNUAL REPORT

Clair Green, Assurance Director, presented the Corporate Anti-Fraud Team (CAFT) Annual Report 2017/18.

A Member requested that future Annual Reports include a section on resource allocation particularly in relation to planned and reactive work.

RESOLVED that the Committee note Corporate Anti-Fraud Team (CAFT) Annual Report 2017/18.

9. INTERNAL AUDIT & ANTI-FRAUD STRATEGY AND ANNUAL PLAN 2018-19

Clair Green, Assurance Director, and Caroline Glitre, Head of Internal Audit, presented the Internal Audit & Anti-Fraud Strategy and Annual Plan 2018/19.

RESOLVED that the Internal Audit & Anti-Fraud Strategy and Annual Plan 2018/19 be approved.

10. ACCOUNTS CLOSURE IMPROVEMENT PLAN – PROGRESS REPORT

Kevin Bartle, Director of Finance, provided an update on the Accounts Closure Improvement Plan Progress Report. He reported that he was not aware of any substantial issues that would prevent the Accounts being signed-off by the deadline of 31 May 2018.

The Committee requested that the information on pensions administration data that had been circulated to Committee Members as a matter arising from the Audit Committee held on 31 January 2018 also be sent to Members of the Pension Fund Committee and Local Pension Board as it related to their responsibilities. **Action: Governance Service**

RESOLVED that the progress against the Accounts Closure Improvement Plan be noted.

11. EXTERNAL AUDIT PLAN 2017-18

Leigh Lloyd-Thomas and Nick Bernstein from BDO, the Council's External Auditor, presented their External Audit Plan for 2017/18.

The Committee noted that BDO and officers were in the process of finalising the additional fee arising from the additional work undertaken by BDO at the end of the 2016/17 financial year relating to the closure of the Statement of Accounts, but that this was expected to be in the region of £50K.

RESOLVED that:

- 1. The Committee note BDO's Audit Plan for 2017/18.**
- 2. The Committee 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 of the report.**

12. EXTERNAL AUDITOR PROGRESS REPORT

Leigh Lloyd-Thomas and Nick Bernstein from BDO, the Council's External Auditor, provided a verbal report on key issues identified and progress in completing all audit work relevant to the 2017/18 financial year. The Committee were informed that the key areas of work for the external auditors were:

- Transactions;
- Payroll;
- Schools;
- Housing Benefits;
- Key Financial Systems;
- Balance Sheet

It was noted that there had been no adverse findings to date.

RESOLVED that the Committee note the verbal update from the External Auditor's, BDO, as set out above.

13. COMMITTEE FORWARD WORK PROGRAMME

The Committee noted the Forward Work Programme as set out in the appendix. The Head of Governance reported that the following items should be added to the work programme for the 17 July 2018 meeting:

- Annual Governance Statement and Code of Corporate Governance 2017/18;
- Statement of Accounts 2017/18;
- External Auditors Findings Report 2017/18;
- Head of Internal Audit Annual Audit Opinion 2017/18
- Internal Audit Quarter 1 2018/19 Progress Report
- Corporate Anti-Fraud Team (CAFT) Quarter 1 2018/19 Progress Report.

RESOLVED that the Committee Work Programme as set out in the report and including the additional items as detailed above be approved.

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

None.

15. MOTION TO EXCLUDE THE PRESS AND PUBLIC

RESOLVED that under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 2 and 7 of Part 1 of Schedule 12A of the Act (as amended).

16. CONFIDENTIAL INVESTIGATION UPDATE (EXEMPT)

The Committee received a verbal update from officers on an on-going confidential investigation.

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

None.

The Chairman thanked the Members and officers for their work with the Committee during 2017/18.

The meeting finished at 9.58 pm



Audit Committee

17 July 2018

Title	Report of Chief Executive
Report of	Chief Executive
Wards	All
Status	Public (Except Appendix 1 which is exempt under paragraph 3, Part I, Schedule 12A Local Government Act 1972)
Urgent	Yes
Key	Yes
Enclosures	Appendix 1 – Draft report by Grant Thornton “Review of the financial management of regeneration projects” (Exempt)
Officer Contact Details	John Hooton, Chief Executive john.hooton@barnet.gov.uk , 020 8359 2460

Summary

The Audit Committee agenda includes the Annual Governance Statement and the Head of Internal Audit Opinion. Both reports set out a number of concerns and matters which require a comprehensive response from the Council.

This reports from the Chief Executive sets out the priority areas for response, as follows:

1. Children’s Improvement;
2. Improvements to Financial Controls;
3. Review of CSG and RE Contracts;
4. Budgetary Control and Financial Planning;
5. Council Management Structure; and
6. Review of Governance.

Officers Recommendation

That the Committee note and comment on the report, which will be updated at the next Audit Committee.

1. WHY THIS REPORT IS NEEDED

Context

- 1.1 Barnet Council, along with most Councils across the country, is facing significant challenges in terms of reduced funding from central government, along with increasing demand for services, particularly in respect of adults and children's social care, and the costs of temporary accommodation.
- 1.2 These challenges have led to unprecedented pressure on budgets, and challenges in terms of effective service delivery. The Council's approach has been to plan ahead for these challenges, setting out a future financial strategy based around growth in income from development, driving efficiency, and managing demand across high cost services.
- 1.3 This approach has been successful over recent years, with back office costs significantly reduced, costs of office accommodation reduced, significant growth in the Council Tax base through growth and development, while efforts to promote independence across social care services has, for example, seen a reduction in the numbers of people in residential settings, with increased numbers of people enabled to be independent.
- 1.4 However, the Council's approach clearly needs to evolve into the future. The Annual Governance Statement and Head of Internal Audit Opinion highlight a number of weaknesses that must be addressed. They include the Ofsted inspection into Children's Services in Barnet, weaknesses in terms of financial controls, and concerns around roles, responsibilities and accountability between commissioning and delivery functions. Alongside this, the current medium term financial strategy for the period 2015-20 is coming to a conclusion and needs to be reset for the years ahead.

The Council's Response

- 1.6 This section sets out the key actions that Chief Officers are undertaking, and the outcomes that need to be in place to ensure that the response is effective. This forms the basis of the Council's officer management team agenda and priorities for the year. Members will be able to regularly scrutinise progress against these actions at the relevant Committees throughout the year.

Children's Services Improvement

- 1.7 An inspection into Children's Services in Barnet published in July 2017 found services to be inadequate. This was known to senior managers in the Council following the Director of Children's Services appointment and his work on highlighting the poor quality of services for children in the borough. However, insufficient improvement had taken place by the time the inspection took place.
- 1.8 An independently chaired improvement board is in place to drive improvement across services for children and this board is attended by Members, officers and partner organisations (health, police, schools). Ofsted have undertaken three monitoring visits since the original inspection and have found that the pace of improvement is of a satisfactory level. The Children and Education Committee are receiving regular update reports into improvement and the quality of service delivery.
- 1.9 The Council has now received a new direction from the Secretary of State. The changes embedded in the Direction indicate an increased confidence in the Council's consolidated improvement in the service. The Council is no longer required to have a Commissioner and the relationship with Essex County Council has changed. Essex had been directing improvement activity and are now undertaking a role of improvement partner for the Council.
- 1.10 Improving services for children is a top priority for the Council, and the clear aim is for these services to be rated as "good" as quickly as possible. Significant investment has gone into improvement and sufficient resource, oversight and attention will need to be given to ensure this continues.

OUTCOME: Improved services for children in Barnet and services that are considered "requires improvement" by 2019 and "good" by 2020.

Financial Control and Risk of Fraud

- 1.11 A referral was received by the Corporate Anti Fraud Team (CAFT) in December 2017 alleging that a substantial amount of money had been paid into an account belonging to a member of Re staff. A criminal and financial investigation was immediately initiated by CAFT which subsequently identified that 62 allegedly fraudulent transactions, between July 2016 to December 2017, amounting to the total sum of £2,063,972.00, had been paid into various bank accounts controlled by the individual. The individual is no longer working for Re. The individual has been charged with two counts of fraud by abuse of position under the Fraud Act 2006. The case is currently listed for hearing in Harrow Crown Court. The sum has been repaid to the Council by Re and Capita has confirmed that it has underwritten this loss.
- 1.12 Following this discovery, the Council immediately took action to tighten financial controls and initiated an independent report into the wider financial control environment across the organisation.

- 1.15 The Council immediately put into place a new system of approving CHAPs payments. As these “on the day” payments are approved outside of Integra or any feeder systems that interface with the financial ledger, such as the Social Care system, approval for payments take place. The new systems went live during December. The system introduced six stringent effective new controls.
- 1.16 A dual authorisation process was also introduced for the release of payments from Bankline, the application through which CHAPs payments are made, so that in addition to a CSG employee, a Barnet Council employee must sign off each payment release in the system.
- 1.17 The Council subsequently employed Grant Thornton UK LLP (GT) in January 2018 to undertake a detailed review to fully understand and document the fraud itself through a forensic review, identify the reasons that the alleged fraud could occur, including weaknesses in the control environment and to identify lessons learned. The Council engaged an external provider as this ensured that the circumstances around the alleged fraud were the subject of an independent review, as well as adding capacity.
- 1.18 The Grant Thornton report is attached at Appendix 1. It is currently in draft form to allow Capita a period of time to review and comment on its accuracy. As the report contains financial and business information about Re and Capita and Capita has not yet had an opportunity to provide comments on its contents, it is not in the public interest to publish it at this stage. This report and further reporting information from the Grant Thornton review will be finalised over the next few weeks and months and it is intended that these will be presented to Audit Committee and any other relevant Council committee in the Autumn 2018.
- 1.19 The Internal Audit programme has been focused on internal financial controls for 2018/19. This will ensure that sufficient scrutiny and external challenge is applied to the robustness of the control environment.

OUTCOME: A tightened financial control environment and reasonable or substantial assurance on internal financial control audit reports throughout 2018/19.

Review of CSG and Re Contracts

- 1.20 A report has been published which will go to Policy and Resources Committee on 19 July which proposes a review of the CSG and Re contracts, with the option of bringing a number of services in house, while continuing with and building on the success of a number of other services within the contracts. Subject to Policy and Resources Committee’s decision, a Full Business Case will be prepared to allow a final decision to be made later this year.
- 1.21 The contracts have delivered significant financial savings since their commencement in 2013, as well as efficiencies and improvements across a range of services.

- 1.22 However, there are other services where performance improvement is needed. In relation to the Customer Support Group contract, these have included issues with financial controls and reporting, pensions administration, estates and user satisfaction with back office services.
- 1.23 In relation to the Re contract, issues have been raised on financial controls and the operation of the Highways service. A number of these performance concerns were also highlighted in the contract reviews that were carried out in 2016 and 2017 of the CSG and Re contracts respectively.
- 1.24 This review is significant, as it would also enable the Council to address a number of issues raised within the Annual Governance Statement and Head of Internal Audit Opinion. For example, data quality arrangements across many Council services are strong. However, there are a number of weaknesses highlighted in areas such as human resources and estates. Bringing the strategic HR function and the estates team into the Council would enable the strong data quality and information management arrangements that exist in many services to be extended to HR and estates.
- 1.25 The direct control of the finance service by the Council's Chief Finance Officer would enable tighter financial control to be exerted across the whole organisation.
- 1.26 Furthermore, accountability and clarity of roles and responsibilities can be strengthened. Currently, responsibility for addressing audit weaknesses in respect of finance, human resources, highways and estates sits with CSG and Re managers, while overall accountability still rests with senior Council officers. The proposed changes to service delivery would allow decisive and effective intervention by Council officers and also provide much greater clarity on roles, responsibilities and accountability.
- 1.27 The services under consideration for bringing into the Council are as follows:
- Finance
 - Strategic HR
 - Estates
 - Health and Safety
 - Insight
 - Regeneration
 - Highways
 - Strategic Planning
 - Economic Development
 - Cemetery and Crematorium

OUTCOME: A successful renegotiation of the CSG and RE contracts that can be implemented by April 2019.

Budgetary Control and Financial Planning

- 1.28 The Chief Executive and Chief Finance Officer (CFO) have strengthened budgetary control arrangements across the organisation, and all senior officers are engaged in work to ensure the Council's budget is balanced in 2018/19 and that the Medium Term Financial Strategy (MTFS) is reset during the year.
- 1.29 Monthly budget forecasting has always existed across the Council, but much greater scrutiny is being applied to this process. This is reviewed regularly by the Chief Officers and Members. All service areas have recovery plans in place to ensure that the Council can balance its budget for 2018/19. Progress on these will be reported regularly to the Financial Performance and Contracts Committee throughout the year. In addition, the Committee will also receive a new CFO report on the financial health of the organisation on a quarterly basis.
- 1.30 Committee Chairs and Chief Officers are also developing medium term financial plans for the period 2019-24. The current MTFS runs from 2015 to 2020 and it was always envisaged that following local elections, this will be reset to cover the period beyond 2020. These will come to Committees in the autumn in advance of the budget and financial strategy being set in March 2019.
- 1.31 The Capital Programme has been subject to a detailed review to ensure that the whole programme is affordable in the context of an increasingly challenging financial position.
- 1.32 Control of agency and recruitment spend is being controlled at a Chief Officer level across the Council. An agency and recruitment panel has been in place since May 2018 to review all existing agency assignments and approve all new agency and recruitment requests.
- 1.33 All project requests are subject to sign off by the Chief Executive and Chief Finance Officer.

OUTCOME: A balanced budget for 2018/19.

OUTCOME: A sustainable and affordable capital programme.

OUTCOME: A sustainable reserves position.

Council Management Structure

- 1.34 A review of the Council's senior management structure has been initiated and will come to Committee in the autumn. This will take into account the proposed changes to the Capita contracts and address matters in respect of roles, responsibilities and accountabilities which are highlighted in the Annual Governance Statement and Head of Internal Audit Opinion.

- 1.35 It is important that senior management roles and accountabilities are regularly controlled and this review will need to take into account the changes that are being proposed in the Policy and Resources Committee report on the Council's contracts with Capita.
- 1.36 This review will come to Constitution and General Purposes Committee in October 2018 and will be implemented by April 2019.

OUTCOME: A new senior management structure in place for 2019.

Governance Review

- 1.37 Alongside the actions noted above, the Council's governance needs to be effective to ensure that sufficient scrutiny and oversight is in place, and that partner organisations are involved in agendas that cut across public agencies in the borough.
- 1.38 Following the Local Government Elections in May 2018, the Council's governance arrangements have been reviewed to ensure that they are fit for purpose for the next four years. This has focused on the following:
- Changes to Committee Governance
 - Review of Family Services Governance
 - Partnership Governance Arrangements

Changes to Committee Governance

- 1.39 A number of changes have been made to Committee Governance to enable each Committee to have sufficient focus on quality and outcomes. For example, the role of the Performance and Contract Management (PCM) Committee has changed. An overall report on Council performance is now considered by Policy and Resources (P&R) Committee. Performance reports are now going to Theme Committees each quarter, to ensure there is a focus on the performance of services as well as strategy and policy. The new Financial Performance and Contracts Committee is now in place to enable sufficient scrutiny on financial management and contract management.

Family Services Governance – Involvement of Children and Young People in Decision Making

- 1.40 A wide range of activities have been undertaken in relation to Family Services Governance to increase the involvement and representation of Children and Young People in decision making. The changes being made seek to ensure that our Council Committees have direct access for young people to propose initiatives, and also that as a matter of course, our youth parliament, Children in Care Council, and other key forums are consulted on decisions affecting young people going to Committees.
- 1.41 The Code of Conduct Undertaking for new and returning Members has been revised to include a specific Member commitment to Corporate Parenting and

Safeguarding and a more structured and comprehensive programme for Member Development and Induction has been agreed by Chief Officers and Members for the new council. To ensure that Members can fully discharge their responsibilities in relation to Corporate Parenting and Safeguarding, the Member Development Programme includes specific mandatory sessions on Corporate Parenting and Children's Safeguarding, with some sessions already delivered. In line with the Corporate Parenting Principles set out in the Children and Social Work Act 2017, which became a duty from the 1st April 2018, officers are currently revising the Committee report templates and guidance documents to ensure that our decision making considers these principles across the Council.

Partnership Governance Arrangements

- 1.42 As part of the broader review of governance, it is right to ensure that partnership governance arrangements are effective. There are key pieces of work which will be initiated to review Partnership Governance Arrangements. To take this forward, the Chief Executive will undertake a review of the council's partnership governance arrangements which will include:
- Barnet Partnership Board (Local Strategic Partnership)
 - Partnership SCB
 - Health and Well-being Board
 - Safer Communities Partnership Board
 - Barnet Children's Partnership Board.

- 1.43 These governance arrangements need to drive effective partnership working, develop new policies and strategies and improve outcomes for local people.

OUTCOME: Governance arrangements are effective to support service delivery and effective internal controls across the organisation.

2. REASONS FOR RECOMMENDATIONS

- 2.1 These matters are a high priority for the Council and the Committee is recommended to note the report.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 4.1 This report is to note the response to matters identified in the Annual Governance Statement and Head of Internal Audit Opinion and no other options are set out at this point.

4. POST DECISION IMPLEMENTATION

- 4.1 Chief Officers will prioritise these actions and ensure that the outcomes are achieved within the timescales set out.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The effective response to the Annual Governance Statement and Head of Internal Audit Opinion is fundamental to ensuring that the Council can continue to deliver services to residents and businesses in Barnet and that the Council's statutory duties can continue to be met.

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

- 5.2.1 In respect In respect of the response to the fraud, there is a cost associated with the work being undertaken by the CFO and by GT, these are being met by corporate budgets.

5.2.2

5.3 Social Value

- 5.3.1 There are no specific social value impacts of this report.

5.4 Legal and Constitutional References

- 5.4.1 Article 7 sets out the Audit Committee's terms of reference, which include independent assurance of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process. In addition, the Committee should review any issue referred to it by the Chief Executive or Chief Finance Officer.

5.5 Risk Management

- 5.5.1 This report details several significant risks and issues for the Council. Each risk or issue identified sets out mitigating steps and the intended outcome.

5.6 Equalities and Diversity

- 5.6.1 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies to have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010,
 - advance equality of opportunity between people from different groups,
 - foster good relations between people from different group

5.6.2 The broad purpose of this duty is to integrate considerations of equality into day to day business and keep them under review in decision making, the design of policies and the delivery of services. Equalities and Diversity considerations will be taken into account during any review of services and specifically in relation to any review of the CSG and Re contracts.

5.7 **Corporate Parenting**

5.7.1 The report sets out new governance arrangements and Member Development activity to support the Council's corporate parenting duties.

5.8 **Consultation and Engagement**

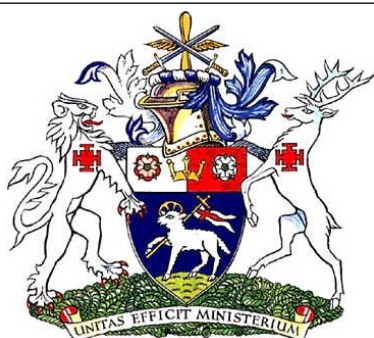
5.8.1 Not applicable in the context of this report.

5.9 **Insight**

5.9.1 N/A

6. **BACKGROUND PAPERS**

6.1 None



Audit Committee

17th July 2018

Title	Annual Internal Audit Opinion 2017-18
Report of	Caroline Glitre – Head of Internal Audit
Wards	Not applicable
Status	Public
Urgent	No
Key	No
Enclosures	Appendix - Annual Internal Audit Opinion 2017-18
Officer Contact Details	Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721

Summary

Each year the work of Internal Audit is summarised to give an overall opinion on the system of internal control and corporate governance within the Council. The four possible ratings that can be given are:

Finding rating

No assurance

Limited assurance

Reasonable assurance

Substantial assurance

In 2017-18 the annual opinion overall is:

Limited assurance

This is a deterioration on 2016-17 when an opinion of reasonable assurance was given.

The key themes that have led to the limited assurance opinion are:

- Financial control and fraud risk
- Oversight, accountabilities and roles and responsibilities

We have also reported a range of findings over:

- Data quality and integrity
- Compliance / Policies and procedures

The opinion includes detail on the audits that have been undertaken during 2017-18 that support the above themes having been identified. There has been a significant increase in the percentage of audit reports receiving an overall rating of "limited" (from 11% in 16/17 to 25% in 17/18), and a corresponding decrease in the percentage of audit reports receiving a "reasonable" rating (from 78% in 16/17 to 61% in 17/18). This represents a clear weakening of the control environment at the Council.

This is the first limited assurance annual opinion since 2010–11.

Recommendations

- 1. That the Committee note the contents of the Annual Internal Audit Opinion 2017-18.**

1. WHY THIS REPORT IS NEEDED

1.1 The Audit Committee's role in receiving this report is to note the overall assurance given and to focus on the improvement areas noted as themes for 2017-18. This is as per the approved Workplan of the Audit Committee.

2. REASONS FOR RECOMMENDATIONS

2.1 As per the approved Workplan of the Audit Committee.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 N/A

4. POST DECISION IMPLEMENTATION

4.1 N/A

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 All internal audit and risk management planned activity in 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 The Annual Internal Audit Opinion informs the Annual Governance Statement that is also presented to this Committee.

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

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

5.3 Social Value

5.3.1 N/A

5.4 Legal and Constitutional References

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

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

5.5 Risk Management

5.5.1 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.

5.5.2 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.

5.6 Equalities and Diversity

5.6.1 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.

5.7 Corporate Parenting

5.7.1 N/A

5.8 Consultation and Engagement

5.8.1 N/A

5.9 Insight

5.9.1 N/A

6. BACKGROUND PAPERS

6.8 Audit Committee 19th April 2018 (Decision Item 13). – The Committee approved the Work Programme for 2018-19, which included the Internal Audit Annual Opinion for inclusion at this meeting.

<http://barnet.moderngov.co.uk/documents/s46040/Audit%20Work%20Programme%20April%202018.pdf>

The London Borough of Barnet

Annual Internal Audit Opinion

2017/2018


July 2018

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Introduction

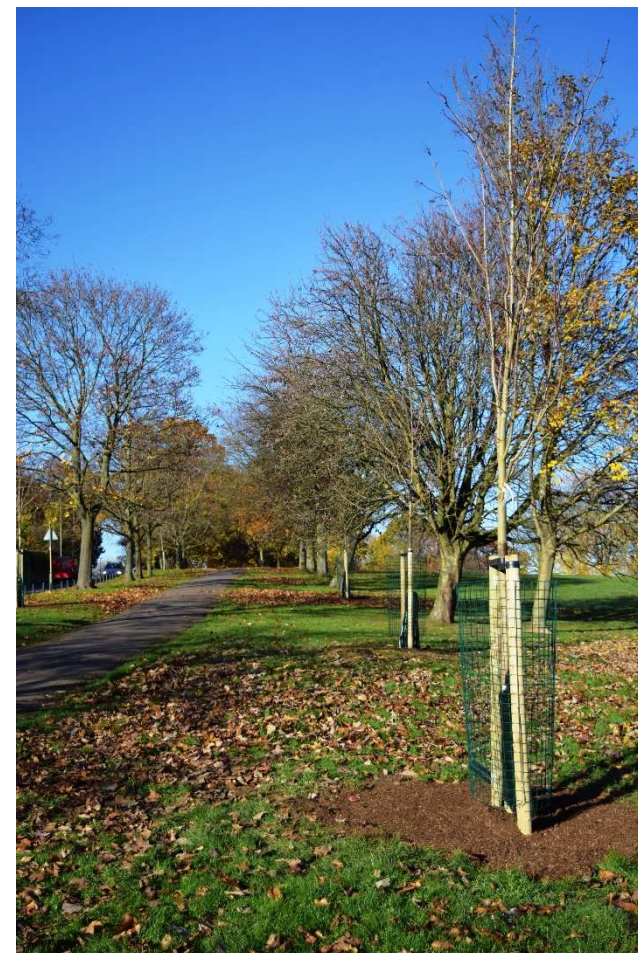
This report outlines the internal audit work carried out for the year ended 31 March 2018.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Internal audit work was performed in accordance with the Public Sector Internal Audit Standards.

Head of Internal Audit opinion

I am satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute.



Executive summary (2 of 4)

Opinion

Our opinion is as follows:

Limited Assurance

There are significant weaknesses and non-compliance in the framework of governance, risk management and control which put the achievement of organisational objectives at risk.

Major improvements are required to improve the adequacy and effectiveness of governance and control compliance. Please see our Summary of Findings in Section 2.

Direction of travel

2016/17 annual opinion:

Reasonable Assurance



An explanation of the types of opinion that may be given can be found in Appendix 2.

Basis of opinion

Our opinion is based on:

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

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Commentary

We completed 49 internal audit reviews and 24 schools audits during 2017/18. This resulted in the identification of 0 critical, 27 high, 143 medium and 88 low risk findings to improve weaknesses in the design of controls and/or their operating effectiveness. Although examples of good practice were identified through audit work performed this year, in comparison with 2016/17 there are an increasing number of areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. We also noted a decrease in the extent to which staff were willing to engage with audit requests and provide deliverables in a timely manner. This led to prolonged periods of engagement in the case of some audits and an increase in audit delivery costs.

The key factors that contributed to our opinion are summarised as follows:

- An increasing number of high risk and medium risk findings relate to the financial management practices in place at the Council, specifically those around income and expenditure monitoring. A failure of the control environment around financial management could significantly exacerbate the already extensive financial pressures on the Council and increases the risk of fraud. A significant internal fraud issue was identified at the Council during 2017/18; a criminal investigation is ongoing in relation to this matter but it highlights the risks that can crystallise if the lines of defence are not appropriately designed or operating as intended.

Executive summary (3 of 4)

Commentary (continued)

- Governance issues were noted across a number of audits: roles, responsibilities and reporting lines were not consistently defined or understood, leading to gaps in delivery and oversight. A particular focus for the coming year will be on improving financial governance including financial delegations and controls.
- There has been a significant increase in the percentage of audit reports receiving an overall rating of “limited” (from 11% in 16/17 to 25% in 17/18), and a corresponding decrease in the percentage of audit reports receiving a “reasonable rating” (from 78% in 16/17 to 61% in 17/18). This represents a clear weakening of the control environment at the Council.
- Data quality and integrity issues were found in a number of areas, relating to performance and staff data (as opposed to resident data). With the introduction of the General Data Protection Regulation (GDPR), there will be an increasing level of public scrutiny of data processing and protection, and the potential legal and reputational repercussions of control failures in this area are significant.

Additional considerations which impacted upon the 2017/18 internal audit planned programme of work and therefore the annual opinion were:

- Ofsted undertook an inspection of services for children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the Local Safeguarding Children Board from 24 April 2017 to 18 May 2017. Ofsted judged these services to be ‘inadequate’ and made 19 recommendations for improvement. As a result of this, planned 2017/18 internal audits in Family Services were put on hold and instead, an embedded assurance approach was adopted to provide assurance over the implementation of improvement activities.
- A number of planned key financial systems audits were removed from the audit plan to avoid confusion or duplication with the review of controls separately commissioned by the Chief Finance Officer in response to the significant fraud issue identified during the year.
- As reported to the Policy and Resources Committee in June, the Council’s revenue outturn position for 2017/18 was £13.5m overspent. At quarter 3, the forecast position had been £6.6m overspent. The increase in overspend by quarter 4 was analysed in the Financial Monitoring Report outturn to Financial Performance and Contracts Committee in July.

Executive summary (4 of 4)

Commentary (continued)

This year the Council has had to manage continued financial pressures, which will continue in the medium term. A variety of external issues have added to the pressures on the Council. Recent concerns around the financial sustainability of major external service providers and aspects of their performance mean that there is an increased risk of significant service failure and a need for the Council to be able to react quickly and flexibly to changes in its operating environment.

In this challenging environment the outcomes of internal audits show that there has been a weakening of the organisation’s control framework, with an increasing number of findings which demonstrate weaknesses and non-compliance in the framework of governance, risk management and control.

The Council needs to identify and achieve further significant savings over the coming year and to fundamentally change its financial management culture to support that process. This will lead to further pressure on resources and unless the gaps identified in the control environment during 2017/18 are addressed, there is a risk that the Council's ability to manage risks in the short and medium term will further reduce, putting the achievement of the Council's corporate objectives at risk.

Internal Audit Quality Assurance and Improvement Programme

The Council's internal audit function has continued to develop in 2017/18: a summary of performance and a self-assessment against the Public Sector Internal Audit Standards can be found at Appendix 4. Risk ratings for schools audits have now been aligned with the revised scoring framework for all other internal audit activity, ensuring consistency of approach and interpretation across the internal audit plan. Continued collaboration with the Corporate Anti-Fraud Team (CAFT) has informed the audit approach and increased the focus on high fraud risk areas for the Council through a number of joint reviews. Progress has also been made against recommendations from the Internal Audit Peer review exercise undertaken in 2015/16 and this is set out in Appendix 6.

Implications for next year's plan

The 2018/19 internal audit plan is a live document, which is being reviewed in line with the emerging findings of the fraud investigation and key financial systems reviews carried out by the Chief Financial Officer to ensure that the areas of highest risk to the Council are at the forefront of the plan.

Acknowledgement

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

Summary of findings (1 of 9)

A summary of key findings from our programme of internal audit work for the year is recorded in the table below:

1) Financial control and fraud risk

Internal audits undertaken during the period, including audits of key financial systems, demonstrated a weakening of the financial control environment. This included a number of areas where evidence could not be provided to confirm that basic fraud prevention controls were operating including segregation of duties for transaction approvals and reconciliations, proactive review of areas with a high fraud risk due to value or known issues, and user access to the key financial system of Payroll.

During 2017/18 the Council has been dealing with a significant financial fraud issue. This matter came to light late in December 2017 and the Council responded immediately with the following actions: a criminal investigation commenced immediately by the Corporate Anti-Fraud Team (with relevant support where required from the Police); the suspect was suspended from work immediately and shortly after dismissed; and stringent additional emergency financial controls were immediately put in place to safeguard the council's finances until a full review could be undertaken. An independent review of financial control and financial forensic analysis was commissioned and Grant Thornton were appointed to undertake this review.

Examples noted in the course of our testing

Accounts Payable - Automated controls within the finance system Integra to prevent duplication of invoice details have not historically been very successful and were not sufficiently robust. Detective activity to identify duplicate payments using the National Fraud Initiative (NFI) data matching exercise and within the Accounts Payable team did not operate in 2017/18. Management were also not able to evidence segregation of duties in the preparation of Accounts Payable BACS reconciliations.

Accounts Receivable - Management were not able to evidence segregation of duties for a small number of write-offs within our testing sample. We also found that the majority of unallocated receipts held within a suspense account within our testing sample had not been investigated, and that where receipts had been investigated, information found was not followed up or resolved. We found that aged debt was not consistently chased in accordance with the agreed process.

S106 / CILs expenditure - We found that there was a lack of clarity around expenditure information in the S106 monitoring schedule and it was not clear whether funds had been spent within required time periods, leading to a risk that they could be reclaimed. There was no clear audit trail to confirm that administrative CIL expenditure had been in line with the legislative requirements, or that expenditure which was designated as administrative specifically related to CIL administration. We also found that funding relating to CIL administration expenditure had been carried forward from 2016/17: this was not compliant with the relevant legislation.

S106 / CILs income - We found no evidence of formal proactive management review or oversight to confirm the accuracy of CIL calculations and no proactive review or approval of the application of discounts and reliefs to confirm that these have been applied appropriately and in line with the scheme or relevant legislation. The manual nature of certain calculations and the value of transactions make this an area where a lack of segregation of duties in the calculation process could incentivise fraud or lead to significant errors. We also noted that the identification of planning applications as "CIL liable" was not formally mapped into planning team procedures, and we found instances where Planning Officers had not marked eligible applications as 'CIL liable' in the Uniform system and therefore a CIL charge was not created. There were no mitigating detective controls in place to identify such errors.

Summary of findings (2 of 9)

Examples noted in the course of our testing (continued)

Nursery Places - Free Early Education Funding - Early Years Team Audits on Private, Voluntary and Independent (PVI) providers are in place as a detective control to identify fraud against the Council. We found that these audits were not conducted with the required frequency, and that where issues had been identified, they were not consistently referred to CAFT or the Finance team to resolve. Actions from the audits which had been carried out were not consistently taken forward. We also found that for the Spring term of 2017 there was an overpayment to providers as a result of the interim payment being higher than the actual amount due. This was because Barnet Council was using 80% of projected funding as the basis for its calculations, where other Councils use a lower interim estimate percentage. The issue was exacerbated by reliance on providers to proactively inform the Council of changes in headcount.

Fixed Asset Register - Fraud awareness training had not been undertaken by all officers involved in property asset management.

Transformation - The Way We Work - In the most recent highlight report reviewed by Internal Audit, the budget section did not provide any assessment of budget versus actual costs for project streams other than the Colindale build, and it was not clear within the text which costs were budgeted and which were actual.

CSG Estates - Rent Reviews - There were no independent checks of invoice calculations. We noted cases where the revised rent review figure had not been updated in Integra for invoicing purposes (we did not consider the errors significant in total value).

Cambridge Education governance including contract management - Cambridge Education (CE) is contractually required to provide a quarterly statement confirming compliance with Clause 38 relating to the prevention of fraud and bribery or reporting instances of related non-compliance. The required statements had not been submitted and the Council had not made any requests to see appropriate records of CE's compliance with this requirement.

Deputyship - money management - The Customer Financial Affairs Team guidance regarding appointees and deputyship states that all case files will periodically be subject to review by a nominated officer from Corporate Finance to ensure that reconciliations are up to date, returns are made in a timely manner and that income and expenditure plans have been completed. Management confirmed these checks no longer happen. The guidance also states that an independent review of 10% of cases should occur every quarter and that this is a performance indicator for the Team. Management confirmed that these reviews had been discontinued due to resource implications.

Commercial Waste - achieving income target - There was no evidence of a periodic reconciliation of expected balances of commercial waste bags (purchases less deliveries) to actual stock on hand (confirmed by count), a control generally required in stock systems.

Non-schools payroll - The payroll system access report was not regularly reviewed to ensure that access has only been granted to appropriate members of staff. Additionally, the overtime payments process was manual and as a result, payroll staff were not able to access details of the manager who approved an individual's overtime payment, increasing the risk of payroll processing invalid or fraudulent payments.

Pensions Administration (Key Financial Systems review) - Overpayments were noted to deceased retirees which were not subsequently followed up with an overpayment letter and an invoice.

Council Tax - Management were not able to evidence segregation of duties for council tax reconciliations carried out. The two-step authorisation process could not be evidenced for some Council Tax write-offs tested.

NNDR - Management were not able to evidence segregation of duties for NNDR reconciliations carried out.

Summary of findings (3 of 9)

2) Oversight, accountabilities and roles and responsibilities

A key recurring theme across audits conducted was that roles, responsibilities and reporting lines were not consistently defined or understood and that training for staff was not consistently provided, leading to gaps in delivery or governance oversight.

This area was identified in the 2016/17 annual audit opinion, and there has been significant work undertaken by the Council during 2017/18, including carrying out a Performance Governance Review focused on commissioning, finance and contract management which was designed to:

- Improve the clarity of roles and responsibilities in respect of the management of key strategic contracts;
- Ensure that internal governance arrangements support the delivery of the Council's desired outcomes;
- Further develop the performance reporting and monitoring framework to ensure that it drives improvement; and
- Update contract management arrangements.

Since the review a refreshed contract management framework and governance structure for strategic contracts has been implemented in collaboration with partners, especially CSG and Re. Improvements made include standardised monthly meetings across each service area within the strategic contracts, comprehensive performance information dashboards bringing together indicators, risk, audit recommendations, and more clearly defined escalation processes. It has been apparent that contractual levers are being used where performance is not at the required standard. In terms of performance management across the Council, a streamlined performance framework has been put in place across all Council areas.

During 2018/19 there will be a continued focus on embedding, reviewing and strengthening the arrangements set out in the Performance Governance Review and in ensuring the Council has adequate capacity to deal with contractual performance issues as they arise. In addition, and following the recent work of Grant Thornton on the financial control environment, there will be a particular focus on improving financial governance including financial delegations and controls in the coming year.

Examples noted in the course of our testing

Prevent - The Barnet Prevent Forward Strategy did not clearly describe the responsibilities for its implementation. Job descriptions were found for key roles, however these roles were found to be vacant. Although a training approach was set out within the Prevent Forward Strategy, this was not found to be operating effectively. The content of the Counter-Terrorism Local Profile (CTLP) had not been appropriately shared with Council Prevent stakeholders and as a result individuals with responsibilities for managing Prevent activities at a department level or within partner agencies were not directly informed of the current risks in the borough. Reporting was not found to be occurring in line with the required frequency, with some reports being in excess of twelve months overdue. A Prevent Working Group had been established, however this was suspended in December 2015 and there was no subsequent evidence of effective stakeholder engagement and consultation about the Prevent Policy, Strategy and Action Plan.

S106 / CILs expenditure and S106 / CILs income - There were a number of different teams involved in the administration of Community Infrastructure Levy (CIL) and S106 expenditure. Processes involve several departments within the Council, Re, CSG Finance and HB Public Law. We found a lack of clarity and awareness around respective responsibilities in the administration, allocation and draw down of CIL and S106 expenditure, exacerbated by team vacancies and staff turnover. Governance arrangements around non-financial development obligations were not clear: agreements had been made with developers but these were not clearly documented and had not been reported to Committee. There was no documentation in place to clearly define roles and responsibilities.

Summary of findings (4 of 9)

Examples noted in the course of our testing (continued)

Pensions Administration - Contract monitoring meetings held to monitor the pension administration section of the CSG contract were not formally recorded by the Council and employer targets for the scheme administration strategy are not monitored. There was no scheme communication strategy or agreed fund administration strategy in place during the period under review.

Nursery Places - Free Early Education Funding - We found instances where tasks were not occurring in line with expectations as a result of a single officer not being available and no cover arrangements being in place.

Staff Performance Reviews - There is no super-user access to the Core HR system or central ability within HR to go into staff records to look at the quality and content of appraisal documentation. This may mean that there was not sufficiently detailed central oversight to be able to ensure that the performance review process was fairly applied across all service areas and staff groups. There was no secondary review process to challenge any missing or insufficient information within moderation panel forms, so the process relied on the HR business partner to assure the completeness and quality of these forms. Based on the audit work carried out, this was not happening consistently.

Contract Register Maintenance - There was no operational guidance in place that sets out the roles and responsibilities of stakeholders (such as Legal, contract managers) in maintaining the contract register. There were no formal mechanisms in place for delivery units or contract managers to communicate changes to contracts to the Procurement team to ensure the contract register was up to date. The majority of live contracts in the contract register did not have a current member of staff listed as the contract manager. Although some of the Council's contracts are managed by staff within external delivery units, this does not fully explain this discrepancy. It should be noted that at the time of the audit the Procurement Board was in the process of revising its Terms of Reference which will address some of the issues identified.

CSG Estates - Rent Reviews - While CSG Management indicated that CSG employees were required to declare conflicts of interest in terms of their employment contract, Valuers were not required to specifically confirm and record the absence of a conflict of interest for each rent review valuation undertaken by them. Additionally, strategic reporting on rent reviews to Council committees did not provide sufficient detail to allow full oversight of the area.

Cambridge Education governance including contract management - The Catering Partnership Board (CPB) did not meet regularly during the first 18 months of the contract. The Catering Contract Monitoring Board (CCMB) did meet regularly and exercised its contract monitoring functions appropriately, however it did not provide the CPB with regular progress updates as required within its Terms of Reference. A clear approach to conflicts of interest was not in place for this contract.

Special Project Initiation Requests (SPIRS) - The CSG contract requires that the Service Provider submit proposals for Special Projects which allows the Council to make a decision to agree or reject the bid. The contract also stipulates the information that should be included as part of the Service Provider's proposal. We found that complete proposals had not consistently been submitted before initiation of Special Projects, proposals did not consistently consider dependencies, risks and assumptions as required, and in one case a project payment had been made before a project was formally initiated. Budget holder approval of project initiation was not consistently demonstrated. One Special Project was initiated before approval by the Council's Programmes Team.

Water Safety - A lack of formal training for premises coordinators around legionella testing was noted.

Summary of findings (5 of 9)

Examples noted in the course of our testing (continued)

Transformation - Benefits Realisation and Regeneration - Benefits Realisation - We found that the benefits management tools within the Project Management Toolkit were not consistently or effectively used. Planned benefits for the projects reviewed were not fully defined and it was not clear how the Council would be able to fully articulate the planned benefits of projects and fully justify its investment decisions. Controls were not consistently used to effectively measure and monitor whether projects were on track to deliver the intended benefits and therefore whether the projects remained viable. Planned benefits were not consistently handed over to service areas in a structured way which would allow ongoing monitoring of benefits once projects were absorbed into Business As Usual.

Transformation - The Way We Work - While a benefits tracker is in place which clearly outlines the key benefits of the programme, there was not yet a breakdown of key milestones for each benefit, benefits monitoring was not yet taking place at a project level, and not all benefits had clear links between benefit description, baseline, measurement method and target. The review date within the assumptions log had not been filled in for the Office 365 project, and as such there was no evidence that these assumptions had been reviewed since they were first identified. Only five changes were recorded in the change log for the programme. Given the complexity and size of TW3 and the many known changes since the programme's inception, this indicated that the change log is not being consistently used to record changes to the programme scope and budget and the agreement of these changes.

Summary of findings (6 of 9)

3) Data quality and integrity

We undertook a 'GDPR Readiness Review' in September 2017 which found that when benchmarked against other organisations the Council was tracking at similar or slightly higher levels of maturity overall. Barnet tracked well against other councils in relation to vision and strategy and transfers but was tracking at a lower level in relation to education, awareness and accuracy.

Data quality and integrity issues were noted across some areas at the Council, particularly regarding Pensions, HR, Section 106 and CILs. In the absence of strong data management and analysis, governance is weakened because the ability of senior staff and Members to scrutinise performance is reduced. There are instances where data quality and processing issues may lead to legal and reputational repercussions (e.g. in the area of pensions, where specific risks have been identified and recorded by the regulator in relation to data quality and data on breaches of law). In a number of areas, there was no evidence that data cleansing is carried out to ensure the ongoing quality of data held in key financial systems. With the introduction of the General Data Protection Regulation (GDPR), there will be an increasing level of public scrutiny of data processing and protection, and the potential repercussions of control failures in this area are significant.

Examples noted in the course of our testing

Pensions Administration - A data quality review undertaken by CSG in October 2017 identified that the quality of data held to identify team members was below the standards expected by The Pensions Regulator (TPR). We also identified that a data quality review of the data used to calculate benefits and value the fund had not been undertaken. There were issues in the data provided to CSG by employers for 60% of the employers reviewed and there was no reporting on the nature and extent of data quality issues noted. The scheme did not follow up on new joiners identified outside of the usual notification process and there were duplicate records.

S106 / CILs income - CIL and S106 schedules were maintained within Excel spreadsheets to assist in the management of charges and agreements. Data integrity issues were identified where there appeared to be a duplicate trigger point status, legacy schemes which had not been deleted, and duplicate schemes where planning applications had been superseded.

Staff Performance Reviews - An equalities analysis of performance rating distributions across different monitored protected characteristics was reported to the Strategic Commissioning Board (SCB) on 4 July 2017. However, this report did not effectively convey rating curves or allow the identification of variances between areas due to issues with chart layout and the quality of analysis. As a result, clear variances between service areas and variances around gender, religion and disability were not identified, investigated or reported on. This analysis also took place after the end of the moderation process, meaning that any variances could only be investigated retrospectively.

Contract Register Maintenance - Contract register data and expenditure data from the Integra system is reconciled quarterly to identify inappropriate non-contractual expenditure and procurement compliance issues. We found that exceptions from the quarterly compliance testing were not being followed up systematically and the outcome of enquiries with management and required actions are not recorded. Analysis of this information, including detail regarding exceptions and observations, is not reported to senior management and issues identified are currently escalated on an ad hoc basis. The Council had not been involved in providing direction to the CSG Procurement team on what data should be captured for contracts in the central register and has not assessed whether this is in line with business need. The extent of information captured regarding contracts on the system was not aligned to the risk/significance/value of the contract in place. Key fields in the contract register, including contract manager, end date and start date had not been consistently recorded.

Summary of findings (7 of 9)

Examples noted in the course of our testing (continued)

Fixed Asset Register - There was no evidence of a routine process for cleansing property data in Atrium to ensure the ongoing accuracy and completeness of the property data to support property management delivery. The CSG Estates risk register did not include specific risks and controls relating to data maintenance and data accuracy/completeness to ensure visibility of the area in risk management and to embed continual management oversight of the data quality.

CSG Estates - Rent Review - There was no evidence of a routine rent review data cleansing process since the implementation of Atrium. During fieldwork, we noted anomalies/errors in the rent review data and we identified rent review cases which had been omitted from CSG schedules for monitoring purposes. The omissions stemmed from the next rent review date not being input to Atrium. Additionally, for monthly operational performance reporting we noted that the Contract KPI “the percentage of rent reviews completed within 3 months of the rent review date against the total number of rent reviews due” had been incorrectly reported as above target when it was below target. While this did not impact overall delivery for the year, KPI outturn in monitoring reports should be accurate.

Deputyship - money management - Not all managers with access to the Deputyship shared drive (which contains personal data relating to the Council’s deputyship clients and details of the Deputyship bank account) required this access to carry out their work. Changes to standing data within Mosaic were supported by an audit trail to confirm the time and the name of the officer that processed the change. However, there was still a risk that unauthorised changes to client standing data could be made which would not be proactively identified by the Customer Financial Affairs Team.

Commercial Waste - achieving income target - The customer access database was not consistently updated with the details of excess waste noted on the crew sheets that were completed by collection crews during their rounds.

Troubled Families - Payment by Results - December 2017 submission - Significant data quality issues were noted during the course of testing which meant that the claim could not be verified by Internal Audit and was not submitted.

Cambridge Education governance including contract management - Data quality issues noted during an earlier audit had not been fully resolved, and as a result KPI performance reporting could not be fully assured.

Summary of findings (8 of 9)

4) Compliance / Policies and Procedures

Issues were noted by internal audit with the extent to which statutory and internal deadlines for activity were met, increasing the Council's potential liability for additional fees and charges, and legal sanctions and reducing the extent to which its own enforcement activity can be carried out. We noted issues with the performance of key employment checks including DBS and right to work checks, which could lead to fines, legal action and reputational damage. Key health and safety checks relating to water safety were not carried out in line with required statutory timescales.

In a number of areas including some key financial systems, we noted that policies and procedures were not consistently in place or regularly updated. Policies and procedures are a basic pillar of a functioning control framework. Where they are missing or out of date, this indicates that the control environment has not been regularly reviewed and updated to mirror changes in local or statutory approaches to service delivery.

Examples noted in the course of our testing

Pensions Administration - The results of data quality checks for a number of employers, from whom data was received in May 2017, were not communicated until mid-July 2017 reducing the period available to resolve any issues from three months to one month. We also found that there were a number of active member records for which no benefit statement was prepared due to a lack of data. This led to some members receiving annual benefit statements after the statutory deadline of 31 August 2017, or not at all. There were delays in the payment of transfers out of the fund and issuing letters to scheme members once the transfer took place. This could lead to breaches of legal requirements in relation to transfers out. The Council did not have a breaches of law policy in place until late October 2017 and does not receive reporting on possible breaches of law. CSG did not report a breach of law when 2016 annual benefit statements were issued late. The Council may not report matters required to The Pensions Regulator leading to them being exposed to fines or other civil action. Transfers into and transfers out from the pension scheme were not processed in a timely manner.

S106 / CILs income - We found that payments made to TfL regarding Mayoral CIL had not been made on-time, potentially leading to the Council being liable to a 5% charge on the Mayoral CIL amount due.

Eligibility to Work - Pre-Employment Checks (Non-Schools) - We noted several anomalies in the DBS data provided to us for review. In some cases HR were unclear as to whether the post required or did not require a DBS check or of the DBS level required. In other cases, no DBS certificate reference was held. As a result, it was not clear whether all staff have the required DBS clearance. CSG Management also confirmed that there were no central, consistent arrangements for logging or following up Home Office right to work (RTW) approvals approaching expiry because RTW data is not held on the Core HR system to support the necessary reporting. The Council can be fined £20,000 by the Home Office per illegal worker. Pre-employment checks, covering identity checks (proof of address), DBS checks, National Insurance checks, reference checks and qualification checks (generally the responsibility of the relevant Council manager) were not undertaken consistently.

Commercial Waste - achieving income target - Formal notices had not been provided to companies requiring them to use commercial waste sacks, meaning that it is difficult to undertake enforcement activity relating to non-compliance. We noted enforcement processes involving the issuing of fixed penalty notices (FPNs) where businesses were unable to provide their commercial trade waste agreement. However, intended enhancements to the enforcement process, involving the review and decision making of customer cases following the FPN enforcement process had not yet been fully introduced. Vehicle tracker monitoring and vehicle inspections were not carried out in accordance with the frequency laid out in procedure documents. Performance monitoring had not identified this issue.

Summary of findings (9 of 9)

Examples noted in the course of our testing (continued)

Water Safety - Performance of water safety testing did not consistently happen in line with required timescales. In one instance annual water sampling testing was over five months overdue at the date of testing. Documentation was not consistently uploaded to Info Exchange to demonstrate that testing or remedial action had taken place.

Accounts Payable - All policies and procedures were held only in hard copy at the Council and were not immediately accessible to remote members of the team.

Nursery Places - Free Early Education Funding - We found that the 'Barnet Handbook for Free Early Education and Childcare for two, three and four years olds' required updating to show current contacts at the Council and to include revised processes.

Deputyship - money management - We reviewed the guidance document issued by the Customer Financial Affairs Team to support visits to clients' property. We noted that the document could be improved to clearly document expectations around all property visits, especially regarding the need for two officers to be in attendance at the property and the need to countersign key logs and property search inventory forms.

Non-schools Payroll - Policies and procedures do not cover the overtime payments or processes and controls in place to manage system access.

Elections follow-up - 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. However, there are no Barnet-specific documents describing how to carry out local tasks and processes.

Deputyship - money management - We noted that improvements could be made to the control environment to ensure that management evidence that they have oversight of the visits log and ensure that visits are occurring in-line with expectations.

Internal audit work conducted (1 of 5)

Introduction

We completed 49 non-schools audits and advisory reviews in the year ending 31 March 2018. The table below sets out the results of our internal audit work and implications for next year's plan. This is followed by a summary of the direction of travel shown.

Results of individual assignments - Limited Assurance

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase 2, Expenditure	Limited	-	3	1	2	1
Transformation - Benefits Realisation	Limited	-	3	-	-	-
Pensions Administration (full risk-based review)	Limited	-	2	6	1	-
Accounts Payable	Limited	-	2	1	-	-
Regeneration - Benefits Realisation	Limited	-	2	-	-	-
Community Infrastructure Levy (CIL) and Section 106 (S106) - Phase 1, Income	Limited	-	1	4	1	1
Nursery Places - Free Early Education Funding	Limited	-	1	4	1	1
Total	7	-	14	16	5	3

Internal audit work conducted (2 of 5)

Results of individual assignments - Reasonable Assurance

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Staff Performance Reviews	Reasonable	-	1	2	1	1
Contract Register Maintenance	Reasonable	-	1	2	1	1
Accounts Receivable	Reasonable	-	1	2	-	-
Fixed Asset Register	Reasonable	-	1	2	-	-
Eligibility to Work - Pre-Employment Checks (Non-Schools) (Joint with CAFT)	Reasonable	-	1	2	-	-
Transformation - The Way We Work (Benefits Management, Stakeholder Engagement and Planning & Delivery)	Reasonable	-	-	5	2	-
Planning Applications and Enforcement (Joint with CAFT)	Reasonable	-	-	5	1	2
CSG Estates - Rent Reviews	Reasonable	-	-	5	1	-
Cambridge Education governance including contract management	Reasonable	-	-	4	1	-
Deputyship - money management	Reasonable	-	-	3	2	-
Commercial Waste - achieving income target (Joint with CAFT)	Reasonable	-	-	5	-	-
Non- Schools Payroll	Reasonable	-	-	5	-	-
Pensions Administration (Key Financial Systems)	Reasonable	-	-	3	1	-
Special Project Initiation Requests (SPIRS)	Reasonable	-	-	2	1	1
Water Safety	Reasonable	-	-	3	-	-
Council Tax	Reasonable	-	-	2	-	-
NNDR	Reasonable	-	-	1	-	-
Total	17	-	5	53	11	5

Internal audit work conducted (3 of 5)

Results of individual assignments – Substantial Assurance

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Core HR Upgrade	Substantial	-	-	1	2	-
Education, Health & Care Plans	Substantial	-	-	1	1	2
Safeguarding - Family Services and Education & Skills (Roles & Responsibilities and Enquiries & Safeguarding Reviews)	Substantial	-	-	1	-	-
Capital Development Pipeline - Stag House	Substantial	-	-	-	3	1
Total	4	-	-	3	6	3

Results of individual assignments – claim and grant verification

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Troubled Families - Payment by Results – June 2017 submission	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - Payment By Results – August 2017 submission	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - Payment by Results - October 2017 submission	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - Payment by Results - December 2017 submission: data integrity issues meant that this claim could not be verified and was not submitted.	Claim not verified	-	1	-	-	-
Troubled Families - Payment by Results - January submission	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - Payment by Results - March submission 1	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - Payment by Results - March submission 2	Claim verified	Compliance audit – ratings not assigned				
Disabled Facilities Grant (DFG) 2016/17	Claim verified	Compliance audit – ratings not assigned				
Disabled Facilities Grant (DFG) 2017/18	Claim verified	Compliance audit – ratings not assigned				
Bus Subsidy Grant	Claim verified	Compliance audit – ratings not assigned				
Total	10	-	1	-	-	-






Internal audit work conducted (4 of 5)

Results of individual assignments – management letters

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Prevent (Part of the Contest Framework)	Management letter issued	-	4	1	1	-
Elections Management – Annual Canvass	Management letter issued	-	3	2	-	-
Income Generation (Advisory)	Management letter issued	No significant issues noted				
Delayed Transfers of Care (Advisory)	Management letter issued	No significant issues noted				
Commercial - Contract Management Toolkit (Advisory)	Management letter issued	No significant issues noted				
Risk Management Framework	Management letter issued	No significant issues noted				
Barnet Group Assurance Mapping	Management letter issued	No significant issues noted				
Performance Management Framework (Advisory)	Management letter issued	No significant issues noted				
IT Risk Diagnostic	Management letter issued	No significant issues noted				
GDPR Readiness Review	Management letter issued	No significant issues noted				
Eligibility to Work – Pre-Employment Checks (Schools) (Joint with CAFT)	Management letter issued to schools	No significant issues noted				
Total	11	-	7	3	1	-

Internal audit work conducted (5 of 5)

Direction of travel

Report rating	Trend between current and prior year	Number of reports		
		2017/18	2016/17	2015/16
Substantial		4 (14%)	4 (11%)	2 (5%)
Reasonable		17 (61%)	29 (78%)	27 (68%)
Limited		7 (25%)	4 (11%)	9 (22%)
No assurance		0 (0%)	0 (0%)	2 (5%)
Advisory / compliance	N/A	21 (N/A – not rated)	13 (N/A – not rated)	17 (N/A – not rated)
Total		49	50	57

There has been an increase in the number of advisory reviews carried out in 2017/18 in comparison with previous years, in part due to the removal of Family Services and key financial systems audits from the audit plan, as described in the Executive Summary. This change from prior years would distort the trend analysis around report rating percentages if we followed the approach used in the 2016/17 annual opinion, which included advisory and compliance reviews in the breakdown by percentage of report ratings. To avoid this, advisory pieces reported on through management letters and compliance audits have been excluded from the analysis above for the purposes of calculating the percentage of audits with a given rating. The prior year percentages have been recalculated on the same basis to ensure comparability.

In 2015/16, any audit with a single high rated finding would have received an overall rating of “limited” by default. Since 2016/17, such reports can be rated “reasonable” (see the scoring matrix at Appendix 3). While it looks like the 2017/18 outcomes are similar to 2015/16’s, if ratings were assigned on the 2015/16 basis, the number of “limited” reports in 2017/18 would increase to 12 (43% of rated reports), which represents a significant deterioration from 2015/16 in real terms.

2017/18 audits completed in Q1 of 2018/19

Audit unit	Report classification	Critical	High	Medium	Low	Advisory
Facilities Management	Limited	0	2	2	2	0
Onboarding	Limited	0	1	3	0	1
Non-schools Payroll	Limited	0	1	9	2	0
Housing Benefit	Reasonable	0	1	1	4	0
Review of new Depot Arrangements	Reasonable	0	1	1	3	0
Emergency planning	Reasonable	0	0	5	1	0
Total		0	6	22	12	1

Delays to the delivery of planned audits were primarily due to lack of engagement from auditees, staff sickness and the need to move/flex audits to fit around year end processes in some service areas. These findings will be included in the 2018/19 opinion and have not been included in the analysis of internal audit work conducted in 2017/18.

Summary of schools audits (1 of 3)

Results of individual audits

In line with the Scheme of Financing Schools, the Chief Finance Officer is required to deploy internal audit to examine the control frameworks operating within schools under the control of the Local Education Authority (“LEA”). In 2017/18, Internal Audit performed 24 school visits and undertook 4 follow-up reviews. The results of the work are reported in the table below and in the section of this report entitled **Follow-up work conducted**.

Review	School type	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Menorah High School for Girls	Secondary	Limited	-	1	8	1	-
St. Pauls CE Primary School, N11	Primary	Limited	-	1	5	2	-
Friern Barnet School	Secondary	Reasonable	-	1	2	3	-
Woodcroft School	Primary	Reasonable	-	1	1	3	-
St. James Catholic High School	Secondary	Reasonable	-	-	4	4	-
Bell Lane School	Primary	Reasonable	-	-	3	5	-
St. John's N11 School	Primary	Reasonable	-	-	2	5	-
Brunswick Park School	Primary	Reasonable	-	-	2	5	-
St. Marys and St John's CE School	All through	Reasonable	-	-	3	3	-
Queenswell Junior School	Primary	Reasonable	-	-	4	2	-
Childs Hill School	Primary	Reasonable	-	-	1	5	-
Cromer Road School	Primary	Reasonable	-	-	2	4	-
Goldbeaters School	Primary	Reasonable	-	-	2	3	-
Holy Trinity CE School	Primary	Reasonable	-	-	2	3	-
Hollickwood	Primary	Reasonable	-	-	3	2	-






Summary of schools audits (2 of 3)

Results of individual audits

Review	School type	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Livingstone School	Primary	Reasonable	-	-	2	3	-
Northway	Primary Special	Reasonable	-	-	3	1	-
Wessex Gardens School	Primary	Reasonable	-	-	2	1	-
Jewish Community Secondary School	Secondary	Reasonable	-	-	2	1	-
Oakleigh School	Primary Special	Reasonable	-	-	2	1	-
Sacred Heart School	Primary	Substantial	-	-	1	3	-
Coppetts Wood School	Primary	Substantial	-	-	1	3	-
Beis Yaakov School	Primary	Substantial	-	-	1	2	-
Mapledown School	Secondary Special	Substantial	-	-	1	2	-
	Total	24	-	4	59	67	-

Summary of schools audits (3 of 3)

Direction of travel

Report rating	Trend between current and prior year	Number of reports		
		2017/18	2016/17	2015/16
Substantial		4 (17%)	2 (9%)	2 (8%)
Reasonable		18 (75%)	19 (82%)	21 (81%)
Limited		2 (8%)	2 (9%)	3 (11%)
No assurance		0 (0%)	0 (0%)	0 (0%)
Total		24	23	26

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

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

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

Overall, the increase in the proportion of schools receiving a substantial rating indicates that the control environment in this area is improving.

Commentary

The results of schools audits highlighted generally sound financial management practices with few significant issues identified around financial controls and budget monitoring.

The largest number of issues were identified in the areas of Asset Management, Governance and Purchasing.

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

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

Purchasing: most recommendations related to use of school debit or credit cards. Evidence of prior independent authorisation of debit/credit card purchases and related audit trails to allow a credit/debit card purchase to be traced from ordering through to payment were not retained consistently by schools for our review.

High Priority recommendations related to Purchasing, Payroll and Voluntary funds:

- The Financial Guide for schools requires that committed expenses are recorded at the point of ordering to ensure accurate budget monitoring.
- Segregation of duties should be clear between payroll review and authorisation and pay changes/update in the system.
- Voluntary funds should be maintained to the same standard to which the official accounts are maintained.

Follow up work conducted (1 of 4)

Introduction

In order for the organisation to derive maximum benefit from internal audit, agreed actions should be implemented. In accordance with our internal audit charter, we followed up all high priority recommendations made in prior years that remained outstanding and those raised in the current year to ascertain whether appropriate action had been taken. At the request of the Audit Committee, we also followed up the medium priority actions for three reviews: CILs and Section 106 Phase 1 – Income, Nursery Places and Contract Register Maintenance. The table below summarises the follow up work performed.

Results of follow up work

Audit unit	Number of agreed actions	Status of agreed actions			
		Implemented	Ongoing	Outstanding	Not yet due
Re Operational Review	1	1			
Statutory Complaints – Adults and Communities	1	1			
IT Change Management	10	10			
Highways Programme	4	1	3		
CILs and Section 106 – Phase 1, Income	2 high	2			
	5 medium	5			
CILs and Section 106 - Phase 2, Expenditure	15	4			11
Estates Health and Safety Compliance	2	2			
Re Operational Review (Planning)	3	3			
Regeneration Benefits Realisation	7	2	5		
Nursery Places	5 high	5			
	15 medium	15			

Follow up work conducted (2 of 4)

Audit unit	Number of agreed actions	Status of agreed actions			
		Implemented	Ongoing	Outstanding	Not yet due
Contract Register Maintenance	3 high	3			
	7 medium	7			
Purchase Cards	1	1			
HR Eligibility to Work	3	3			
Pensions Administration	10	4			6
Transformation Benefits Realisation	7	3		2	2
Elections	4	3	1		
Prevent	14	14			
Troubled Families	5	5			
Dollis Junior School	1	1			
Woodcroft School	1	1			
Friern Barnet School	1	1			
Menorah High School	1	1			
Total	128	98 (90%)	9 (8%)	2 (2%)	19 (N/A)

Summary

We followed up 109 recommendations that had been raised and were due to have been implemented by the end of 2017/18. Of those, we found that 98 had been fully implemented by the year end, 9 were ongoing and 2 were outstanding. The direction of travel for implementing audit recommendations on a timely basis is therefore positive in 2017/18 with 90% of recommendations confirmed as having been implemented within agreed timescales (88% in 2016-17).

We recommend that further work is conducted to ensure **all** previously agreed recommendations are implemented at the earliest opportunity.

Appendices

Appendix 1: Limitations and responsibilities

Appendix 2: Opinion types

Appendix 3: Basis of our classifications

Appendix 4: Performance of Internal Audit

Appendix 5: Changes to the 2017/18 published plan

Appendix 6: Update against Internal Audit Peer Review action plan

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor’s work

Our work has been performed subject to the limitations outlined below.

Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to Barnet Council is for the period 1 April 2017 to 31 March 2018. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management’s responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management’s responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix 2: Opinion types





The table below sets out the four types of opinion that we use, along with an indication of the types of findings that may determine the opinion given.

Type of opinion	Indication of when this type of opinion may be given
Substantial assurance	<ul style="list-style-type: none"> A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and None of the individual assignment reports have an overall report classification of either high or critical risk.
Reasonable assurance	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are not significant in aggregate to the system of internal control; and/or High risk rated weaknesses identified in individual assignments that are isolated to specific systems or processes; and None of the individual assignment reports have an overall classification of critical risk.
Limited assurance	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or High risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or Critical risk rated weaknesses identified in individual assignments that are not pervasive to the system of internal control; and A minority of the individual assignment reports may have an overall report classification of either high or critical risk.
No assurance	<ul style="list-style-type: none"> High risk rated weaknesses identified in individual assignments that in aggregate are pervasive to the system of internal control; and/or Critical risk rated weaknesses identified in individual assignments that are pervasive to the system of internal control; and/or More than a minority of the individual assignment reports have an overall report classification of either high or critical risk.
Disclaimer opinion	<ul style="list-style-type: none"> An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either: <ul style="list-style-type: none"> Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

Appendix 3: Basis of our classifications (1 of 3)

Overall report classification




The report classification is determined by allocating points to each of the findings included in the report and adding them together (see next slide for details of how points are allocated to individual findings).

Finding rating	Points	Assessment rationale
 No assurance	40 points or more	<ul style="list-style-type: none"> There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
 Limited assurance	18-39 points (non-schools) 20-39 (schools)	<ul style="list-style-type: none"> There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
 Reasonable assurance	7-17 points 7-19* (schools)	<ul style="list-style-type: none"> An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere. <p>* For schools audits the threshold for moving into Limited Assurance is higher (19 points as opposed to 17 points). This is because there are 17 different audit scope areas in a schools audit making it possible to accumulate a high number of points through Low priority findings. Our analysis of past reports has shown that this would lead to a disproportionate increase in the number of schools receiving a Limited Assurance rating under the points based system.</p>
 Substantial assurance	6 points or less	<ul style="list-style-type: none"> There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.

Appendix 3: Basis of our classifications (2 of 3)

Individual finding ratings






The report classification is determined by allocating points to each of the findings included in the report according to the scoring matrix below.

Finding rating	Points	Assessment rationale
 Critical	40 points per finding	<ul style="list-style-type: none"> Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance. Mass strike actions etc Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers. Cessation of core activities, Strategies not consistent with government's agenda, trends show service is degraded. Failure of major Projects – elected Members & SMBs are required to intervene Major financial loss – Significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council; Critical breach in laws and regulations that could result in material fines or consequences.
 High	10 points per finding	<ul style="list-style-type: none"> Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff. Significant impact on the reputation or brand of the organisation; Scrutiny required by external agencies, Audit Commission etc. Unfavourable external media coverage. Noticeable impact on public opinion Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome med – term difficulties. High financial loss Significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
 Medium	3 points per finding	<ul style="list-style-type: none"> Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff. Moderate impact on the reputation or brand of the organisation; Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage. Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service action will be required. Medium financial loss - Small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences
 Low	1 point per finding	<ul style="list-style-type: none"> Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale Internal Review, unlikely to have impact on the corporate image. Minor impact on the reputation of the organisation Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines. Minimal financial loss – Minimal effect on project budget/cost. Minor breach in laws and regulations with limited consequences
 Advisory	0 points per finding	<ul style="list-style-type: none"> An observation that would help to improve the system or process being reviewed or align it to good practice seen elsewhere. Does not require a formal management response.

Appendix 3: Basis of our classifications (3 of 3)

Individual finding ratings – schools audits

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

Finding rating	Points	Assessment rationale
 Critical	40 points per finding	<ul style="list-style-type: none"> Critical issue where action is considered imperative. Action to be effected immediately.
 High	10 points per finding	<ul style="list-style-type: none"> Fundamental issue where action is considered imperative to ensure that the School is not exposed to high risks, also covers breaches of legislation and policies and procedures. Action to be effected within 1 to 3 months.
 Medium	3 points per finding	<ul style="list-style-type: none"> Significant issue where action is considered necessary to avoid exposure to risk. Action to be effected within 3 to 6 months.
 Low	1 point per finding	<ul style="list-style-type: none"> Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 to 12 months.
 Advisory	0 points per finding	<ul style="list-style-type: none"> An observation that would help to improve the system or process being reviewed or align it to good practice seen elsewhere. Does not require a formal management response.

Appendix 4: Performance of internal audit

Key performance indicators

We agreed a suite of Key Performance Indicators (KPIs) with management and the Audit Committee. Our performance against each KPI is shown in the table below. These highlight the focus of our work and the standard attained:

KPI	Target	Performance	Comments
Effectiveness			
• % of recommendations accepted	98%	100%	Target met
• % of critical and high risk recommendations implemented	90%	90%	Target met
Efficiency			
• % of plan delivered	95%	95%	Target met Note: in Q2 we proposed a change to how performance against this target is measured, in that now work in progress is incorporated as follows: Not Started = 0%; Planning = 20%; Fieldwork = 50%; Draft Report = 90%; Complete =100% Applying these %s to work in progress shows that we have delivered 95% of our plan. 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.
Quality of Service			
• Average auditee satisfaction score	85%	100%	Target met

Quality assurance and improvement programme

In line with the Public Sector Internal Audit Standards, we undertook a self-assessment of compliance with the Standards during the year.

No significant compliance issues were noted for reporting to the Audit Committee.

We have confirmed completion of the outstanding actions from the Peer Review of Internal Audit from 2016, see Appendix 6.

Appendix 5: Changes to the 2017/18 published plan (1 of 2)

The 2017/18 Internal Audit plan was approved by the Audit Committee in April 2017. There have been a number of changes to the plan since the date of approval. These have been reported to the Audit Committee within the quarterly progress reports but a summary of all changes made throughout the year is included in the table below.

Review	Change	Reason
General Ledger	Deferred to 2018/19	Due to Chief Financial Officer (CFO) review of internal controls
Budget Monitoring	Deferred to 2018/19	Due to CFO review of internal controls
Treasury Management	Deferred to 2018/19	Due to CFO review of internal controls
Cash Management	Deferred to 2018/19	Due to CFO review of internal controls
Integra Issue Management	Deferred to 2018/19	Due to CFO review of internal controls
Schools Payroll	Deferred to 2018/19	Due to the introduction of a new payroll system for schools we have deferred this review
Health & Safety - Project Management	Deferred to 2018/19	Due to the resource needed for the implementation of actions from the Transformation Benefits Realisation audit we agreed to defer this review
Business Continuity	Deferred to 2018/19	Due to the resource required for supporting the Emergency Planning audit we agreed to defer this review as it involved the same officers
Elections follow-up Advisory	Deferred to 2018/19	We have deferred this review until after the May 2018 elections
Pardes House School	Deferred to 2018/19	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
Investing in IT – Lessons Learnt (Advisory)	Deferred to 2018/19	Due to further delays with the full delivery of this project we have deferred this review
Highways DLO	Deferred to 2018/19	This has been deferred to 2018/19 to enable allocation of more audit days to the Highways Programme review and to enable winter gritting to have been completed
CSG 3 Year review – KPI baselines	Deferred to 2018/19	This has been deferred to 2018/19 to enable review of two quarters of data after new KPIs agreed

Appendix 5: Changes to the 2017/18 published plan (2 of 2)

Review	Change	Reason
Customer Transformation Programme	Deferred to 2018/19	This has been deferred due to delays with the launch of the new version of the MyAccount system.
Project & Programme Management toolkits	Deferred to 2018/19	We have agreed to defer this to 2018/19 whilst the Council develops a toolkit for Agile project management.
Domestic Violence	Deferred to 2018/19	Deferred to 2018/19 as involves Family Services and agreed Embedded Assurance approach post-Ofsted
SWIFT to Mosaic Data Migration	Cancelled	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
Public Health Delivery Model 2018 Onwards	Cancelled	Due to the service coming fully in-house
Street Scene Capacity & Capability (Advisory)	Cancelled	As agreed with the Strategic Director for Environment, no longer required
Strength Based Practice (SBP)	Cancelled	This was cancelled due to duplication with the Transformation Benefits Realisation audit which included the SBP project within its scope.
Contract Management – The Fremantle Trust	Cancelled	This review has been cancelled as during the Provider Failure audit in 2016/17 we gained assurance over the Meadowside which represents 40% of the expenditure with Fremantle Trust.
Council Support for Children’s Safeguarding	Replaced	Replaced with Embedded Assurance approach after the service received Inadequate rating from Ofsted
Safeguarding – Health Visitors and School Nurses	Replaced	Replaced with Embedded Assurance approach after the service received Inadequate rating from Ofsted

Appendix 6: Update against Internal Audit Peer Review action plan (1 of 1)

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

In summary, all of the three agreed actions which were reported as partially implemented at the end of 2016/17 have now been implemented.

Improvement area	Action taken	Status
Internal Audit files have not all been archived in line with Council policy	The Information Management Team has recently launched a new archiving process; a member of the Internal Audit team has been confirmed as the nominated Records Co-ordinator for Internal Audit	Implemented All audit files are held electronically. At year end 31/3/2018, agreement had been reached with the Information Management team around the deletion and retention of Internal Audit files and this had been actioned.
There is evidence of good liaison with other assurance providers but the HIA has identified a need to progress further liaison with the internal auditors for the CCG to identify the scope for shared or joint reviews.	The recent audit of the Better Care Fund and S75 agreements was shared with the HIA at the CCG. Liaison will continue during 2016/17	Implemented A protocol document has been agreed with the CCG covering a joint approach to internal audit and anti-fraud work.
Based on interviews with key stakeholders, the Chief Executive, the S151 Officer and the Chair of the Audit Committee it was identified that the service is well respected, capable of taking on challenging audits and has a positive impact on the governance, risk and control within the Council. A review of the customer surveys indicated that the majority of the responses were positive and it is concluded that generally: <ul style="list-style-type: none"> The service is well regarded; Audit staff are considered professional; Recommendations are regarded as pragmatic and generally useful. A small number of responses indicated that there was some negative opinion towards the external contractor’s approach to audits with comments such as “demanding”, “tight deadlines” and “intrusive”.	Audits should follow the same process no matter which team conduct the audit. Since the peer review customer survey was circulated, we have updated the information on the Council’s intranet regarding the Internal Audit service making the expected audit timeline clearer for auditees. One of the objectives of the Cross Council Assurance Service (made up of six London boroughs including Barnet and our strategic partner, PwC) is to harmonise our audit approach. Ultimately we do not want auditees to distinguish between whether their auditor is from their host borough, PwC or from another borough. We will continue to work towards this aim during 2016/17.	Implemented During 2016/17 we introduced a CCAS report template and points based scoring system for non-schools audits. In 2017/18 this was rolled out to include schools audits.

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	<h2>Audit Committee</h2> <h3>17 July 2018</h3>
<p style="text-align: right;">Title</p>	<p>Annual Governance Statement and Code of Corporate Governance</p>
<p style="text-align: right;">Report of</p>	<p>Assurance Director</p>
<p style="text-align: right;">Wards</p>	<p>None</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A: Annual Governance Statement 2017/18 Appendix B: Code of Corporate Governance 2018/19</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Clair Green, Assurance Director, 020 8359 7719 clair.green@barnet.gov.uk</p> <p>Andrew Charlwood, Head of Governance, 020 8359 2014 andrew.charlwood@barnet.gov.uk</p>

Summary

The Council is required to produce an Annual Governance Statement (AGS), which is a statutory reported public statement which is included within the Statement of Accounts for 2017/18. The Annual Governance Statement outlines the governance framework, any significant governance issues and steps taken to mitigate those issues.

A Code of Corporate Governance is reported alongside the AGS which has been prepared in accordance with the CIPFA Delivering Good Governance in Local Government Framework 2016. This includes the principle and sub-principles of good governance and how the council complies with them.

The report seeks approval for the Annual Governance Statement 2017/18 to be included alongside the Statement of Accounts.

Officer Recommendations

- 1. That the Committee comment on and approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2017/18 as set out in Appendix A.**
- 2. That the Committee comment on and note the Code of Corporate Governance 2018/19 as set out in Appendix B.**

1. WHY THIS REPORT IS NEEDED

- 1.1 Part 2 Section 6 of the Accounts and Audit Regulations 2015 requires a local authority to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement each year with the authority's financial statements.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Audit Committee is required to consider the Annual Governance Statement and recommend its adoption and inclusion within the Statement of Accounts.
- 2.2 The Code of Corporate Governance applies to Annual Governance Statements from the 2017/18 financial year onwards.
- 2.3 Both the Annual Governance Statement and Code of Corporate Governance enable the Council to be compliant with the provisions of the Accounts and Audit Regulations 2015.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

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

4. POST DECISION IMPLEMENTATION

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

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Annual Governance Statement and Code of Corporate Governance are public documents that shows that the council recognises that there are areas for improvement:

- 5.1.2 The committee's scrutiny of their progress supports the priorities in the 2015-2020 Corporate Plan of Barnet as place:

- 'Where services are delivered efficiently to get value for money for the tax

- payer' within which is the further aim; and
- 'To improve Customer Services and increase transparency.'

5.1.3 Barnet Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.

5.1.4 Barnet Council has approved and adopted a Code of Corporate Governance via the Council's Constitution which is consistent with the principles of the CIPFA Delivering Good Governance in Local Government Framework 2016. The Code included in the Constitution is expanded to detail how the Council complies with the CIPFA principles and sub-principles and will be updated annually and reported to the Audit Committee.

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

5.2.1 The council is able to confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). In addition, the authority's assurance arrangements conform to the governance requirement of the CIPFA Statement on the role of the Head of Internal Audit.

5.3 **Social Value**

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

5.4 **Legal and Constitutional References**

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

5.4.2 Council Constitution, Article 7 - the Audit Committee terms of reference includes "...to oversee the production of the Annual Governance Statement (AGS) and to recommend its adoption".

5.5 **Risk Management**

5.5.1 The Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of

effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to achievement of London Borough of Barnet policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

5.5.2 The Annual Governance Statement is a process of identifying governance issues and suggesting key actions to mitigate potential risks to the Council. These are then monitored throughout the year until resolution.

5.6 Equalities and Diversity

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

5.7 Consultation and Engagement

5.7.1 Not applicable

5.8 Insight

5.8.1 Not applicable

6. BACKGROUND PAPERS

6.1 Accounts and Audit Regulations 2015:
http://www.legislation.gov.uk/ukxi/2015/234/pdfs/ukxi_20150234_en.pdf

6.2 CIPFA / SOLACE – Delivering Good Governance in Local Governance Framework 2016 Edition:
<http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

6.3 CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2015:
<http://www.cipfa.org/policy-and-guidance/reports/the-role-of-the-chief-financial-officer-in-local-government>

LONDON BOROUGH OF BARNET

Annual Governance Statement



2017-2018

CERTIFICATION

To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2017/18 except for those areas identified in Section 7. We propose over the coming year to take steps to address the matters to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

SIGNED: _____

Leader of the Council

Date: _____

SIGNED: _____

Chief Executive

Date: _____

1. INTRODUCTION

- Barnet Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.
- In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk.
- Barnet Council acknowledges its responsibility for ensuring that there is effective governance within the Council and as such has developed a Code of Corporate Governance that defines the principles and practices that underpin the governance arrangements operating within the Council.
- This Annual Governance Statement explains how the Council meets the requirements of regulation 6[1] and 6[2] of the Accounts and Audit Regulations 2015 in relation to the publication of a statement of internal control.
- The Council has a separate Code of Corporate Governance which will be reported alongside this Annual Governance Statement. The Code is consistent with the principles of the Good Governance as set out in the CIPFA Delivering Good Governance in Local Government Framework 2016. A Code of Corporate Governance is also included within the Constitution which details the Good Governance principles. How the Council complies with the principles will be reported annually alongside the Annual Governance Statement.

2. GOVERNANCE

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

3. THE GOVERNANCE FRAMEWORK

- The governance framework encompasses the systems and processes, culture and values by which the Council is directed and controlled, together with the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, if operating effectively it cannot eliminate all risk and can only provide reasonable, not absolute assurance of effectiveness.
- The system is based on an on-going process designed to:
 - * make sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud;
 - * that public money is properly accounted for and is used economically, efficiently and effectively;
 - * that the Council operates in a lawful, open, inclusive and honest manner;
 - * that the Council has effective arrangements for the management of risk;
 - * that the Council enables human, financial, environmental and other resources to be managed efficiently and effectively;
 - * that the Council secures continuous improvement in the way that it operates;
 - * that the Council properly maintains records and information;
 - * that the Council ensures its values and ethical standards are met:
 - a. identify and prioritise the risks to achievement of the Council's policies, aims and objectives,
 - b. evaluate the likelihood of those risks being realised together with the impact should they be realised, and
 - c. manage them efficiently, effectively and economically.
- The governance framework has been in place within Barnet London Borough Council for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.
- Where improvements in the governance framework are required (as outlined in section 7) they will be addressed in the coming year.

4. THE ANNUAL GOVERNANCE STATEMENT


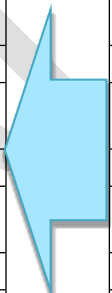
- The Annual Governance Statement is made up of statements that are underpinned by the assurance framework. The assurance framework enables Members and Senior Management to identify the principal risks to the Council's ability to meet its key objectives. Members and Senior Management can map out both the key controls to manage the risks and how they are assured that these controls are effective in identifying, managing and mitigating risks.
 - This process is designed to provide assurance, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved, except for those areas identified in Section 7 which require further improvements.
 - The annual assessment gives the Council an opportunity to review that effectiveness of the governance arrangements that operating within the Council. In addition, 'the three lines of defence assurance model' helps Members and Senior Management to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance to help inform Key Areas of Improvement.

The Three Lines of Defence in effective Risk Management and Control

The three lines of defence model is designed to provide confidence, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved.

As assurance is derived from multiple sources, the “Three Lines of Defence” concept helps identify and understand the different sources of assurance.

Where controls are not operating effectively then improvements to strengthen the control environment are required, such issues are set out in section 7 of the report and will be addressed in the coming year.

2nd Line of Defence Oversight and Support Strategy, Policy, Direction setting, decision-making, assurance oversight		1st Line of Defence Business and Operational Management Delivering objectives, identifying risks and improvement actions, implementing controls, progress reporting, provides management assurance, Operational Management and Staff Managing Performance and Data Quality Programme and Project Management Delivery of Service Business Plans	3rd Line of Defence Independent Assurance Independent challenge and audit, reporting assurance, audit opinion assurance levels Internal Audit External Audit (provide assurance to those charged with governance) External Inspections Review Agencies Regulators
Committee and Scrutiny Functions			
Senior Management Functions			
Risk Management and Performance Management			
Functional Compliance (Information Management, HR, Legal, Contract and Financial Management)			

5. HOW HAS THE ANNUAL GOVERNANCE STATEMENT BEEN PREPARED?

The Council has reviewed significant governance issues from previous years and identified new issues that have arisen during the year. Detailed updates on these issues are set out in the following sections.

The Council have also updated the Local Code of Corporate Governance to reflect the updated CIPFA Framework which includes an assessment of our compliance with the revised seven principles of Good Governance.

6. HOW DO WE KNOW OUR ARRANGEMENTS ARE WORKING?

Within this Annual Governance Statement, the Council has undertaken an assessment of significant governance issues and progress made against these. Any areas which have not been resolved will carry forward into 2018/19 and will continue to be monitored. Any issues that have been resolved during 2017/18 will no longer be monitored through the Annual Governance Statement, but will continue to be monitored through appropriate channels.

The Council are compliant with the CIPFA Delivering Good Governance in Local Government Framework 2016. How the Council complies with the Code is monitored annually and reported via a separate Code of Corporate Governance 2017-18 which is reported to the Audit Committee alongside this Annual Governance Statement.

7. SIGNIFICANT GOVERNANCE ISSUES

NEW ISSUES – 2017/18

7.1 Annual Internal Audit Opinion; ‘Limited Assurance’ on the internal control environment of the council.

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. The four possible ratings that can be given are: No Assurance, Limited Assurance, Reasonable Assurance and Substantial Assurance.

For 2017-18 the annual opinion overall has given the council ‘Limited Assurance’ over the internal control environment of the council. It states that there are major improvements required to improve the adequacy and effectiveness of governance and control compliance.

This is the first ‘Limited Assurance’ annual opinion that has been issued since 2010–11 and is a deterioration on 2016-17 when an opinion of reasonable assurance was given.

The key themes that have led to the limited assurance opinion are:

- Financial control and fraud risk
- Oversight, accountabilities and roles and responsibilities

Both themes are separately reported as Key Improvement Areas within the Annual Governance Statement (refer 7.1 and 7.6). Oversight, Accountabilities and Roles and Responsibilities was also reported on in the 2016-17 Annual Governance Statement.

The Audit opinion has also reported a range of additional findings relating to areas that include data quality and integrity, compliance and policies and procedures. The opinion includes details on the audits that have been undertaken during 2017-18.

The opinion also sets out the fact that there has been significant increase in the percentage of audit reports receiving an overall rating of “limited” (from 11% in 16/17 to 25% in 17/18), and a corresponding decrease in the percentage of audit reports receiving a “reasonable rating” (from 78% in 16/17 to 61% in 17/18), which represents a clear weakening of the control environment at the council.

In the coming year, Internal Audit will continue to focus its work on the areas identified above and in addition will support through the audit plan, the findings from the independent review of the financial control environment, where improvements are required. This will be monitored through the councils Audit Committee who will be updated regularly on the progress of improvement actions.

7.2 Financial Control and Fraud Risk

As referred to in the Head of Internal Audit Opinion internal audits undertaken during the last year indicated a decline of the financial control environment. This included a number of areas where basic fraud prevention controls were not operating, including segregation of duties for transaction approvals and reconciliations, proactive review of areas with a high fraud risk due to value or known issues, and user access to key financial systems.

An internal fraud issue came to light late in December 2017 and the Council responded promptly with a set of follow up actions. These included a criminal and financial investigation being commenced directly by our Corporate Anti-Fraud Team (with relevant support where required from the Police) and the individual no longer working for Re. In addition, enhanced financial controls were immediately implemented to strengthen the safeguards of the council's finances until a full independent review could be undertaken. An independent review of financial controls and a financial forensic analysis was commissioned in January 2018 (as referred to in 7.6 Oversight, Accountabilities and Roles & Responsibilities).

Members of the Audit Committee were initially briefed on the matter in January 2018 and a further report was also provided to the Audit Committee in April 2018 during an exempt session (in accordance with Sections 100A-H and Schedule 12A Local Government Act 1972).

In the coming year, and following the work undertaken in response to the independent review of the financial control environment, there will be a focus on further tightening of financial controls and financial governance in the council. This will be monitored through the councils Audit Committee who will be updated regularly on the progress of improvement actions. In addition, and on conclusion of the criminal investigation and any associated proceedings, a more detailed report covering the criminal investigation will also be taken to the Audit Committee.

7.3 Barnet's Fire Safety

Following the tragic fire on 14 June 2017 at Grenfell Tower in the Royal Borough of Kensington and Chelsea, a report was submitted to Housing Committee on 26 June 2017 that set out the fire safety arrangements already in place in residential tower blocks, and committed to developing a programme of fire safety improvements. The report set out the immediate action being taken in relation to 3 blocks clad with aluminium composite material (ACM) at Granville Road. The Committee also agreed to an increase in the Housing Revenue Account capital programme to meet the cost of fire safety works to council housing.

The Housing Committee has since received further progress reports, and agreed a package of works totalling £30m to improve fire safety in council homes. This includes the replacement of

cladding at Granville Road and high priority and desirable works in other high- rise blocks, including the upgrading of fire detection systems and the installation of sprinklers in blocks with 10 or more floors and a single stairwell.

The ACM cladding has been removed from the Granville Road blocks and the new cladding is being installed, with work due to complete later this year. A programme of high priority works is also underway, and due to complete in September 2019.

Barnet Homes have been asked to produce a costed programme of fire safety works for low and medium rise blocks which the Housing Committee will consider in October 2018, alongside additional desirable works to high rise blocks with 2 stairwells.

The Housing Committee has also received information on the work that the Council has undertaken in relation to fire safety in high rise buildings in the private sector and managed by Housing Associations.

The Assets, Regeneration and Growth Committee received updates in July and November 2017 on fire safety for the Council's high rise operational buildings and some other premises. A number of fire safety improvements have been implemented at Barnet House, an 11-storey office block in Whetstone occupied by council services and a prioritised programme of site visits is underway at leased premises, with resulting actions being followed up as necessary.

This work will continue to be a focus in the coming year.

EXISTING ISSUES – FROM 2016/17

7.4 OFSTED Inspection of services for children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the Local Safeguarding Children Board.

This was identified as a governance issue in the 2016/17 Annual Governance Statement which carried forward into the 2017/18 Statement. The issue as originally reported in 2016/17, plus updates of progress made during 2017/18 are set out below:

Ofsted undertook an inspection of services for children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the Local Safeguarding Children Board from 24 April 2017 to 18 May 2017. Ofsted judged these services to be 'inadequate' and made 19 recommendations for improvement.

The council fully accepted the findings of the Ofsted report and has since worked to implement the Improvement Plan which sets out the actions and journey we need to make to transform our social care services for children, young people and their families from inadequate to outstanding.

On the 18 July 2017 the council's Children, Education, and Libraries & Safeguarding (CELS) Committee received the first quarterly update report which included the key findings from the inspection report and an overview of the draft 'written statement of action' (draft Improvement Action Plan) which was approved by the council and submitted to Ofsted on 17 October.

Since then, a series of temporary governance arrangements have been put in place to drive and monitor the improvement programme at pace. These included a DfE appointed commissioner, Frankie Sulke CBE, who reported directly to the Secretary of State; a DfE approved Improvement

Partner, which is Essex County Council; an independently chaired Improvement Board, with representation from across the council and partner agencies; and regular progress updates to the CELS committee on the Barnet Children's Services Improvement Action Plan during 2017/18. The Children's Committee will continue to receive updated a regular item until services are improved.

Ofsted conducted monitoring visits in November 2017, February 2018, and April 2018, and will continue to undertake a series of activities including an action planning visit, a programme of quarterly monitoring visits and a re-inspection once the period of monitoring has ended. The outcome of the visits confirmed "...the pace of change has remained consistent and focused.... Senior leaders are fully aware that there are still areas of considerable challenge before practice is of a good standard and the needs of children are well served."

The DfE appointed Commissioner concluded that the council should retain its services and work with Essex as our Improvement Partner. In May 2018, she concluded that the council no longer needed a commissioner and will continue to work with partners, including Essex, to improve. The authority will, however, continue to be subject to intervention by the Department of Education (DfE) until services are improved.

This area will continue to be monitored as a significant issue during 2018/19.

7.5 Pensions Administration

In 2016/17 concerns were identified relating to pensions administration and further issues that led to Regulatory Intervention by the Pensions Regulator to the London Borough of Barnet Pension Fund. The regulatory intervention entailed a fine that was levied due to non-completion of the 2016 Scheme Annual Return.

The council has been engaging closely with the Pension Regulator since summer 2017 to address these issues. To date, the Regulator has not exercised the right to take enforcement action and continues to work with the council in the sphere of "educate and inform" in respect of service improvement and internal controls in the management of pensions administration.

The council has taken action in respect of the performance of the pension administration service including initiating a Service Improvement Plan (SIP) with regular reporting to the Pension Committee and Pension Board. Furthermore, the council commissioned an audit of the pensions administration service during 2017 and reported the outcome to the Audit Committee; the Council has subsequently committed dedicated resource to oversee performance of the service provider.

There remain issues with the service provider's progress against the SIP, and the council is continuing to use the mechanisms under the contract to drive improvement. This will continue to be monitored and managed during 2018/19.

The Regulator continues to monitor performance and progress and it is expected this will continue until the Regulator is satisfied that the scheme is operating effectively, efficiently and in full compliance with the Pensions Regulations, Code of Practice and legislative framework governing public service pension schemes.

This area will continue to be monitored as a significant issue during 2018/19.

7.6 Oversight, Accountabilities and Roles & Responsibilities – Commissioning, Finance and Contracts

This was identified as a governance issue in the 2016/17 Annual Governance Statement, which carried forward into the 2017/18 Statement.

During 2016/17 it was identified that oversight, accountabilities and roles and responsibilities across commissioning, finance and contract management were a key area for improvement. During summer 2017 the council undertook a Performance Governance Review designed to:

- Improve the clarity of roles and responsibilities in respect of the management of key strategic contracts;
- Ensure that internal governance arrangements support the delivery of the council's desired outcomes;
- Further develop the performance reporting and monitoring framework to ensure that it drives improvement; and
- Update contract management arrangements

Since the review, a refreshed contract management framework and governance structure for strategic contracts has been implemented in collaboration with partners, especially CSG and Re. Improvements made include standardised monthly meetings across each service area within the strategic contracts, comprehensive performance information dashboards bringing together indicators, risk, audit recommendations, and more clearly defined escalation processes. These are supported by a revised contract management handbook clearly setting out roles and responsibilities and processes. In terms of performance management across the council, a streamlined performance framework has been put in place across all council areas.

- However, areas of persistent poor performance and concern mean that greater control is needed. In July, members at the P&R Committee will consider a proposed review to enable a potential realignment of the council's partnership with Capita. If the committee approves the recommendation, the council will undertake the review with a view to bringing a final report to committee in the autumn. The proposed review reflects the council's ongoing commitment to ensuring service delivery arrangements are as effective and efficient as possible.

This area will continue to be monitored as a significant issue during 2018/19.

7.7 Health and Safety Compliance

In the 2016/17 Annual Governance Statement, the health and safety function within CSG, was identified as an issue due to a backlog of inspections and a lack of management information. Progress was reported in the 2016/17 Statement and the further progress made during 2017/18 is set out below:

All revised KPIs for measuring building compliance across the whole of the maintained estate are now in effect. In order to deliver against those KPIs, the compliance management team within Building Services has been totally transformed. The new team is already demonstrably improving the standard and coverage of building compliance across the estate, together with responsiveness to identified safety issues. Detailed compliance reports on the whole of the council's estate are provided to the council's Head of Estates as part of the monthly and quarterly reporting cycle, with any areas of risk highlighted, together with relevant mitigating

action. In addition, monthly contact management meetings are being chaired by the council's Head of Estates, at which such risks and issues are discussed. Significant risks are escalated to the CSG Partnership Operations Board (POB) and Strategic Commissioning Board (SCB) by the council's Head of Estates and / or Head of Health, Safety & Wellbeing as required. A separate report on compliance is also presented to SCB Assurance on a quarterly basis.

Due to much improved and robust sub-contractor management, the number of tests / inspections overdue by more than two months has been significantly reduced to four properties, at the time of writing, all of which are being dealt with. There is a programme of work to reduce this figure to zero and completing that programme is a clear priority for the council's partner, CSG Estates, as is the timely completion of high priority works arising from those inspections.

Formal escalation procedures remain extant, should high risk issues with buildings be identified as part of routine compliance management. Similarly, formal escalation procedures are also still in place to ensure that compliance in community schools is reported back to the Council by the schools in a timely fashion. This ensures that relevant senior personnel within the Council and CSG are made aware of issues as they are identified and that decisions relating to controlling risk can be made promptly.

The Capita National Compliance Team continues to provide an important assurance function by holding monthly meetings with the local delivery team to ensure continuity in statutory compliance practice. They have, and will continue to, share performance reports, known issues and service shortfalls to relevant personnel both in council and CSG Estates in order to highlight and / or escalate areas of non-compliance so that appropriate action can be taken in a timely manner.

This area is no longer a significant issue that will be monitored through the Annual Governance Statement, but will continue to be monitored through appropriate channels during 2018/19 including the Financial Performance & Contracts Committee and Audit Committee.

7.8 Electoral Services – Electoral Registration and Elections

This was identified as a governance issue in the 2016/17 Annual Governance Statement which carried forward into the 2017/18 Statement.

In accordance with relevant legislation, the Electoral Services team manage Electoral Registration and the delivery of elections on behalf of the Electoral Registration Officer (ERO) and the Returning Officer (RO). The ERO/RO is statutorily appointed by the council, but these duties are performed independent of the elected members.

Over the past year the Electoral Services team has continued with its programme of continuous improvement. To this end the team has reviewed processes and performance across its range of activities and has developed a number of systemic improvements and enhancements. In particular the recruitment and training of temporary staff for elections and electoral registration duties has been refined and improvements have been evident in the performance of these staff. Further to this, Electoral Services has fully recruited to its substantive staff structure and has specifically developed its work on democratic engagement with and for electors and residents, elected members, officers and other key stakeholders.

Barnet has the largest electorate in London and Electoral Services have worked hard to ensure that the electoral register is maintained as completely and accurately as possible. This electoral registration work has included the completion of the Annual Household Enquiry Form canvass

(which achieved a completion rate of 98% of properties having responded or been personally visited) and a highly successful activity utilising a discretionary Household Notification Letter (HNL) in February 2018 ahead of the May 2018 Local Elections.

During the last year, Electoral Services have delivered the June 2017 snap General Election and the May 2018 Local Elections. General feedback on the preparation and implementation of both elections has been overwhelmingly positive and the declared results have been universally accepted by all stakeholders as transparent, accurate and wholly compliant with electoral legislation. A thorough review of the June 2017 General Elections was conducted and its findings were reported to General Functions Committee in October 2017. This was positively received and where future enhancements were considered possible, these lessons were taken forward. A similar review of the May 2018 Local Elections is now underway and the findings from this review will be reported in due course to the new Constitution and General Purposes Committee.

Throughout the work on continuous improvement, Electoral Services has developed its corporate and public profile and this has included internal and external communications campaigns. The 'Barnet Local Elections' branded campaign that ran from the HNL through to the conclusion of the elections proved to be highly successful, as was evidenced by the reduced number of registration and election queries throughout the election period, whilst contributing to an increased turnout at 43.7% (>2% increase compared with 2014 and one of the highest borough-wide turnouts in London).

This area is no longer a significant issue that will be monitored through the Annual Governance Statement, but will continue to be monitored through appropriate channels during 2018/19 including the Constitution and General Purposes Committee.

8. CONCLUSION

Over the coming year will be taking steps to address the matters outlined in this Annual Governance Statement and addressed within the Internal Audit Annual Opinion to further enhance governance arrangements and control compliance within the council. We are satisfied that these steps will address the need for improvements that have been identified and we will monitor their implementation and operation through appropriate committees throughout the year as well as part of the next annual review.

The council will also continue to ensure elected members are kept fully briefed of any new significant issues that may arise in year.

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Appendix B

Barnet Code of Corporate Governance 2017/18

Governance comprises the arrangements put in place to ensure that the intended outcomes for citizens and stakeholders are defined and achieved.

To deliver good governance within the Council, all councillors, officers and partners should strive to achieve the Council's objectives while acting in the public interest.

Acting in the public interest implies primary consideration of the benefits for the citizens of Barnet, which should result in positive outcomes for service users and other stakeholders.

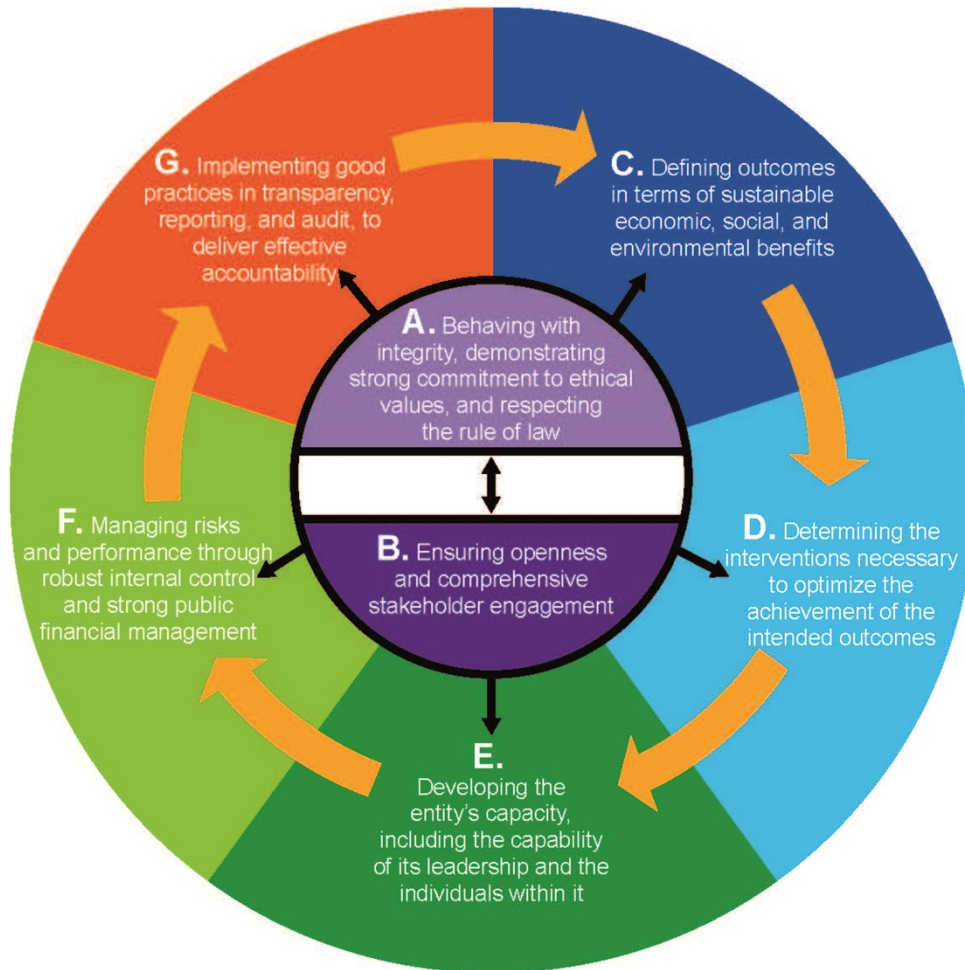
The Council should keep governance arrangements up to date and relevant. The main principle underpinning the development of the new Delivering Good Governance in Local Government Framework 2016 (CIPFA/Solace) continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The CIPFA Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – the Council recognises the need to focus on the long-term. The Council has responsibility to more than their current electors and should take account of the impact of current decisions and actions on future generations.

The core principles and sub-principles of good governance and how they are met at Barnet are set out in the table below. However, good governance cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of the organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

The Council produces an Annual Governance Statement to report publicly on the extent to which the Council complies with its local code and this is a statutory requirement.

Principles of Good Governance



Relationships between the Principles for Good Governance in the Public Sector

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	How the Principles are met by the Council
<p>Ensuring Members behave with integrity and develop robust policies which place emphasis on agreed ethical values</p> <p>Seeking to establish, monitor and</p>	<p>The Seven Principles of Public Life (the Nolan Principles) are established within the Members Code of Conduct guiding them to lead by example and providing a framework for decision making and other actions. The Council's Monitoring Officer is responsible for promoting and maintaining high standards of conduct.</p> <p>The Constitution & General Purposes</p>

<p>maintain the Council's ethical standards and performance</p> <p>Ensuring that external providers of services on behalf of the Council are required to act with integrity and in compliance with ethical standards</p> <p>Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</p> <p>Dealing with breaches of legal and regulatory provisions effectively</p> <p>Ensuring corruption and misuse of power are dealt with effectively</p>	<p>Committee ensure this principle is applied throughout the Council. A separate Standards Committee is in place to determine unresolved complaints against Councillors.</p> <p>Contractors must act in compliance with all relevant council policies and the law.</p> <p>All committee reports subject to clearance procedure to ensure decisions taken are compliant with the budget and policy framework, the law and the council's constitution. Comprehensive schemes of delegation in place detailing how chief officers will discharge the statutory powers within their remit. Assurance Group in place which is responsible for governance and compliance and includes Internal Audit, Governance and the statutory Monitoring Officer. Members oversight is through the Audit Committee and Constitution & General Purposes Committee.</p> <p>Appropriate action is taken by the Council's legal services (Harrow & Barnet Public Law) with oversight by the Monitoring Officer in liaison with officers within the Assurance Group.</p> <p>Monitoring Officer and Corporate Anti-Fraud team fully in place within the Assurance Group.</p>
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<p><i>B. Ensuring openness and comprehensive stakeholder engagement</i></p> <p>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used</p>	<p><i>How the Principles are met by the Council</i></p> <p>Committee reports cover the options available and the reasons for recommendations. Every report sets out why the report is needed, reasons for the recommendation(s) and alternative options considered but not recommended. Where an officer's</p>
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<p>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully.</p> <p>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</p> <p>Ensuring that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.</p> <p>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service provision is contributing towards the achievement of intended outcomes</p>	<p>recommendation is not agreed by a committee, minutes of meetings will record the reasons for decisions. Delegated powers reports by officers will also record reasons for decisions.</p> <p>Where formal partnerships exist between institutional bodies joint strategies and plans are developed in a collaborative way and jointly adopted through a joint body. Examples include the Safer Communities Strategy and Health & Wellbeing Strategy. In addition, the Project Management Toolkit has a section on Stakeholder Engagement.</p> <p>Through the Barnet Partnership Board (or Local Strategic Partnership), the Council is strengthening partnerships with public, private and third sector partners under the jointly agreed themes of: entrepreneurship; community participation; use of assets; smart cities; and arts and culture. Other partnerships are in place to support work in specific joint areas including community safety (Safer Communities Partnership Board), health and social care (Health & Wellbeing Board) and sub-regional joint working (West London Economic Prosperity Board)</p> <p>A Consultation & Engagement Strategy is in place which details the type of decisions that the council will consult on, who we will consult with and how feedback will inform decisions taken. Consultation takes place on any issue that affects residents such as service or policy changes, or various statutory processes (such as planning, traffic or highways matters).</p>
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<p><i>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</i></p> <p>Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators,</p>	<p><i>How the Principles are met by the Council</i></p> <p>As set out in the Corporate Plan, Budget and Medium Term Financial Strategy. Corporate Plan performance indicators regularly reported to the Policy & Resources Committee and theme committees.</p>
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<p>which provide the basis for the organisation's overall strategy, planning and other decisions</p> <p>Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</p> <p>Delivering defined outcomes on a sustainable basis within the resources that will be available</p> <p>Identifying and managing risks to the achievement of outcomes</p> <p>Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available</p> <p>Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</p> <p>Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</p> <p>Ensuring fair access to services</p>	<p>Impact of decisions will be evidenced in council committee reports (councillors) and in delegated powers reports (officers). Equality issues will be further evaluated within equality impact assessments.</p> <p>Corporate Plan, Budget and Medium Term Financial Strategy set out Council's strategic priorities and how resources will be allocated to support these.</p> <p>Risk Management Framework is in place and a Corporate Risk Register is maintained. Mitigating actions are put in place where required. Risks reported periodically to Directors, Policy & Resources Committee, theme committees and the Financial Performance & Contracts Committee.</p> <p>Where appropriate, and in compliance with statutory duties, public consultation is carried out with service users. The Council also maintains an effective Citizens Panel which informs priorities and resource allocation.</p> <p>Committee reports cover this principle and strategic cross-borough planning is also undertaken in liaison with the Mayor of London</p> <p>Committee reports also cover this principle together with the Medium Term Financial Strategy</p> <p>Committee reports will cover equality legislation and ensure that decision-makers are aware of impact upon citizens with the protected characteristics; the Council is additionally concerned to have regard to impacts upon other disadvantaged local citizens.</p>
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<i>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</i>	<i>How the Principles are met by the Council</i>
<p>Determining the right mix of corporate (legal, assurance, regulatory, and finance) interventions to ensure intended outcomes are achieved</p>	<p>The Chief Executive in liaison with Chief Officers carries out this determination quarterly in liaison with chief officers.</p>
<p>Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised</p>	<p>Committee reports detail post-decision implementation steps. If outcomes are not delivered, the relevant chief officer will ensure that the decision is reviewed and remedial steps taken.</p>
<p>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and of associated risks – therefore ensuring best value is achieved however services are provided.</p>	<p>Chief Officers and their direct reports evaluate options and give appropriate advice to decision-makers. Committee reports include sections on ‘Alternative options considered and not recommended’ and ‘Risk management’</p>
<p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available</p>	<p>Feedback from public consultations and the Citizens Panel is set out within relevant committee reports and delegated powers reports and brought to the attention of decision-makers.</p>
<p>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</p>	<p>Quarterly reporting to the Policy & Resources Committee, theme committees and Financial Performance & Contracts Committee including results of key performance indicators and the management of strategic contracts. In addition, a planned programme of work is undertaken by Internal Audit</p>
<p>Considering and monitoring risks</p>	<p>Shared risks are identified in a register and</p>

<p>facing each partner when working collaboratively, including shared risks</p> <p>Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</p> <p>Establishing appropriate key performance indicators (KPIs)</p> <p>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</p>	<p>reviewed at least quarterly; significant risks facing each partner are subject to quarterly review</p> <p>When making a decision, or making recommendations to Members regarding a preferred option, chief officers take into account the following: delivery of high quality services; value for money; and the scope to vary arrangements to take into account changing circumstances</p> <p>The Corporate Plan details the KPIs required to deliver the council's objectives</p> <p>As set out within the Constitution – Financial Regulations and Budget and Policy Framework Procedure Rules</p>
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<p><i>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</i></p> <p>Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness</p> <p>Improving resource use through application of techniques such as benchmarking to determine how resources are allocated so that defined outcomes are achieved effectively</p> <p>Recognising partnership benefits</p>	<p><i>How the Principles are met by the Council</i></p> <p>A Strategic Asset Management Plan provides a strategic approach to the management of property assets (approved and overseen by the Assets, Regeneration & Growth Committee) is in place. Performance reports are presented to all main committees and to the Performance & Contract Management Committee which detail KPIs and financial monitoring. Chief Officers are responsible for the performance of services within their remit and a Commercial Team is in place for oversight and management of key strategic contracts.</p> <p>CIPFA benchmarking exercises are undertaken across the Council. Best practice reviews are undertaken as part of service improvement initiatives.</p> <p>Full engagement through the Barnet</p>
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<p>and collaborative working where added value can be achieved</p>	<p>Partnership Board, sub-regional partnerships (such as the West London Alliance), the Mayor of London and Greater London Assembly, London Councils and with public sector partners, particularly Health and the Police</p>
<p>Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</p>	<p>Council Constitution is explicit about which decisions are reserved to Council or committees and which are delegated to officers. Chief officers maintain schemes of delegated authority that are published and regularly updated</p>
<p>Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services set by members</p>	<p>Council Constitution details the roles and responsibilities of the leader (Article 6) and chief executive (Article 9). The leader and councillors set the councils' priorities and strategic direction; the chief executive is responsible for delivering priorities supported by chief officers</p>
<p>Developing the capabilities of members and officers, including induction, continuing professional development training, and lessons learnt from governance weaknesses</p>	<p>A Member Development Programme is agreed and implemented during each council cycle. Members must attend mandatory training before serving on some committees and are strongly encouraged to keep their knowledge and skills up to date in relation to the committees that they serve on. The Council will work towards achieving Charter Status for the Programme. Officers have an induction programme and a corporate learning and development programme in place. Where governance weaknesses are identified, remedial actions are put in place and delivery is monitored.</p>
<p>Ensuring that there are structures in place to encourage public participation</p>	<p>Public participation rights are set out in the Constitution (Article 3); decisions that affect residents are usually the subject of public consultation</p>
<p>Holding staff to account through regular performance reviews which take account of training or development needs</p>	<p>Performance Related Pay is in operation within the Council. Performance Reviews take into account training / development needs and ensure that these are addressed</p>
<p>Ensuring arrangements are in place</p>	<p>Arrangements are put in place by Human</p>

<p>to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</p>	<p>Resources with oversight by the Constitution & General Purposes Committee (which has responsibility for HR matters)</p>
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<p><i>F. Managing risks and performance through robust internal control and strong public financial management</i></p> <p>Implementing robust and integrated risk management arrangements and ensuring that responsibilities for managing risks are clearly allocated</p> <p>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</p> <p>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook</p> <p>Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making</p> <p>Providing Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p>	<p><i>How the Principles are met by the Council</i></p> <p>A Risk Management Framework in place with officer responsibilities clearly allocated. Strategic risks reported to the Policy & Resources Committee, theme committees, the Financial Performance & Contracts Committee and chief officers.</p> <p>Chief Officers are responsible for delivering services within their respective portfolios including specifying outcomes/outputs, monitoring performance, contract management and post-implementation reviews. Internal Audit provide independent assurance on key financial systems and areas of service delivery on a risk based approach.</p> <p>All committee reports and delegated powers reports require information on relevant risks</p> <p>A ‘Committee System’ governance structure is in place (distinct from a Leader/Cabinet model) which permits cross-party political discussion at all committee meetings on major strategic decisions</p> <p>Regular reports the Policy & Resources Committee, theme committees, the Financial Performance & Contracts Committee, plus to chief officers.</p>
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<p>Ensuring effective counter fraud and anti-corruption arrangements are in place</p> <p>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p> <p>Ensuring an Audit Committee or equivalent group function provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</p> <p>Ensuring effective arrangements are in place for data use and storage and when sharing data with other bodies</p>	<p>Responsibilities are set out within the Constitution and Code of Conduct. In addition, the Corporate Anti-Fraud Team is in place within the Assurance Group with the necessary specialist skills to undertake various types of investigation.</p> <p>Assurance undertaken by Internal Audit within the Assurance Group with a plan of work being approved by the Audit Committee on an annual basis</p> <p>Assurance provided by the Policy & Resources Committee, theme committees, the Financial Performance & Contracts Committee and also by the Audit Committee</p> <p>Arrangements in place with the Information Management Team and Capita Insight Team</p>
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<p><i>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</i></p> <p>Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style</p> <p>Providing sufficient information to satisfy transparency demands while not being too onerous for users to read and understand</p> <p>Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and</p>	<p><i>How the Principles are met by the Council</i></p> <p>Report writing guidance is in place to clarify information required in each section of reports. Officers, via the report clearance process, review the content and structure of reports to ensure that they can be understood by the public and stakeholders. Project work to be undertaken by the Assurance Group to ensure that reports are easy to understand and not unnecessarily complex.</p> <p>Open Data Portal – Council website</p> <p>The Council produces an Annual Governance Statement which provides a self-assessment of compliance with the Framework and actions to be undertaken to address governance or</p>
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<p>publishing the results on this assessment, including an action plan for improvement</p> <p>Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate</p> <p>Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon</p> <p>Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement</p> <p>Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met</p>	<p>practice weaknesses which is reported to the Audit Committee.</p> <p>Included within Assurance and Barnet Group protocol arrangements</p> <p>In place through Internal Audit and the tracking of recommendations via quarterly Audit Committee reporting</p> <p>Via contract clauses within our contracts with Capita, Cambridge Education and Barnet Group the council have the right of access to their records and internal audit reports. The council can also undertake our own audits of their systems and processes and this right is exercised – protocol / liaison meetings are in place to support this</p> <p>Chief Officer structure details accountability lines for services and portfolios of activity. Public accountability requirements met via publication of committee information on the website, opportunities for public participation, consultation on key decisions, Freedom of Information requests and information on the Open Data Portal.</p>
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	AGENDA ITEM 10 Audit Committee 17th July 2018
	<p style="text-align: center;">Title</p> <p>Statement of Accounts and External Auditor's Audit Completion Report for the year 2017/18</p>
<p style="text-align: center;">Report of</p>	Director of Finance
<p style="text-align: center;">Wards</p>	All
<p style="text-align: center;">Status</p>	Public
<p style="text-align: center;">Urgent</p>	No
<p style="text-align: center;">Key</p>	No
<p style="text-align: center;">Enclosures</p>	Appendix A – Draft Audit Completion Report Appendix B – Statement of Accounts 2017/18
<p style="text-align: center;">Officer Contact Details</p>	Gillian Clelland – Assistant Director of Finance, CSG Gillian.Clelland@barnet.gov.uk 020 8359 5310

Summary

The external audit of the Council's Statement of Accounts is undertaken by BDO whose findings are reported in the draft Audit Completion Report at Appendix A. BDO anticipate providing an unmodified opinion on the Council's financial statements, subject to the clearance of the outstanding matters on page 6 of the Audit Completion Report.

The draft financial statements were published on 31 May 2018 as required by the Accounts and Audit Regulations 2015. The accounts, including the Pension Fund accounts, are required to be approved and published by 31 July 2018. The external auditors have highlighted that there is a risk that the Pension Fund audit will not be complete by that date.

The audit identified one material disclosure misstatement, whereby both income and expenditure in the Comprehensive Income and Expenditure Statement (CIES) were understated by £23.210m due to the gain on investment properties being incorrectly netted off against expenditure. The financial statements have been amended and the amendment has no impact on the surplus on the provision of services for the year. A further audit difference was identified in respect of the return on pension scheme assets. Due to the timescale for preparation of the accounts it is necessary for the actuary to calculate this based on estimated quarter four returns. Actual returns are now available which differ from

the estimate and which result in the net pension liability being overstated by £1.851m. It is not proposed to adjust for this difference on the grounds of materiality. The audit also identified a small number of disclosure changes, which have been amended.

In providing the opinion on the financial statements, BDO are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources. The audit work in relation to the sustainability of the Council's finances and contract management and monitoring is ongoing and the auditor will provide a verbal update to the Committee. However, although there has been a positive direction of travel during the year in terms of improvements made to Children's Services, because of the Ofsted inspection rating the Council's Children's Services as inadequate, the auditors are unable to conclude that the Council has adequate arrangements for the delivery of safe and effective services for children's services and propose that the use of resources conclusion will be modified to reflect this.

Recommendations

- 1. That the Committee approve the Statement of Accounts for 2017/18 and recommend that they be signed by the Chairman and the Director of Finance (Statutory 151 Officer) on behalf of the Council.**
- 2. That the matters raised by the external auditor relating to detailed aspects of the 2017/18 accounts audit be noted.**

1. WHY THIS REPORT IS NEEDED

- 1.1 Under Section 151 of the Local Government Act 1972- "...every local authority shall make arrangements for the proper administration of their financial affairs". Additionally, in accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts.

2. REASONS FOR RECOMMENDATIONS

- 2.1 In order that the Council can meet its legal obligation to produce audited financial statements.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 None

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

Review of reports made under International Standard on Auditing (ISA) 260 are an integral part of corporate governance. This is in line with Barnet's Corporate Plan – to make sure Barnet is a place "where services are delivered efficiently

to get value for the taxpayer”.

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

5.2.1 The Statement of Accounts shows the financial position of the council as at 31 March 2018.

5.3 **Legal and Constitutional References**

5.3.1 Section 151 of the Local Government Act 1972 requires that “...every local authority shall make arrangements for the proper administration of their financial affairs”.

5.3.2 The Council is a public authority that is subject to the audit of its annual accounts by an external auditor. The Local Audit and Accountability Act 2014, Part 5 specifies the conduct of local audit.

5.3.3 Section 9 of the Accounts and Audit Regulations 2015 requires that the statement of accounts must be considered by a committee or full council and approved by a resolution of that body. The accounts must then be signed by the person presiding at the meeting. The Section 151 officer must then re-confirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the authority and its income and expenditure for that year.

5.3.4 The 2015 Regulations also require that the accounts are published by 31 July 2018.

5.3.5 International Standard on Auditing (UK and Ireland) 260 deals with the auditor’s responsibility to communicate with those charged with governance in an audit of financial statements. A link to the website containing ISA 260 can be found at [https://www.frc.org.uk/getattachment/0240d0ea-d80f-4191-bf26-e29f98093cda/ISA-\(UK\)-260-Revised-June-2016_final.pdf](https://www.frc.org.uk/getattachment/0240d0ea-d80f-4191-bf26-e29f98093cda/ISA-(UK)-260-Revised-June-2016_final.pdf).

5.3.6 Article 7 of the Council’s Constitution details the functions of the Audit Committee and include “To review and approve the annual statement of accounts and consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts”.

Risk Management

5.3.7 A positive external audit opinion on Barnet’s Statement of Accounts plays an essential and key role in providing assurance that Barnet’s financial risks are managed in an environment of sound stewardship and control.

5.3.8 There are no key risks relating to the production, audit or publishing of the Statement of Accounts identified in the Council’s risk register.

5.4 **Equalities and Diversity**

5.4.1 Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community and to reduce the differential impact of the services received by all of Barnet’s diverse communities.

5.5 Consultation and Engagement

N/A

6. BACKGROUND PAPERS

6.1 None



LONDON BOROUGH OF BARNET

AUDIT COMPLETION REPORT

Audit for the year ended 31 March 2018

9 July 2018

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WELCOME

We have pleasure in presenting our Audit Completion Report to the Audit Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2018, specific audit findings and areas requiring further discussion and/or the attention of the Audit Committee. At the completion stage of the audit it is essential that we engage with the Audit Committee on the results of audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit Committee meeting on 17 July 2018, and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Audit Committee and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

In communicating with those charged with governance of the Council and the Group, we consider those charged with governance of subsidiary entities to be informed about matters relevant to their entity. Please let us know if this is not appropriate.

We would also like to take this opportunity to thank the management, finance team and staff of the Council for the co-operation and assistance provided during the audit.

OVERVIEW

This summary provides an overview of the audit matters that we believe are important to the Audit Committee in reviewing the results of the audit of the financial statements of the Council and consolidated entities (together the 'Group') and use of resources of the Council for the year ended 31 March 2018.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

AUDIT SCOPE AND OBJECTIVES

Audit status	We have largely completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to resolution of matters set out in the outstanding matters section below.
Audit risks update	No additional significant audit risks were identified during the course of our audit procedures subsequent to our Audit Plan to you dated 19 April 2018.
Materiality	Our final materiality is £15.5 million for the Council and the Group. We have increased our materiality from £15.0 million to £15.5 million to reflect the gross expenditure reported in the draft financial statements.
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.
Group audit	<p>Our approach was designed to ensure we obtained the required level of assurance across the components of the Group in accordance with ISA (UK) 600 (Audits of Group Financial Statements). This objective has been achieved.</p> <p>To summarise our audit coverage:</p> <ul style="list-style-type: none"> • Total expenditure: 99% full audit, 1% specific procedures and 100% Group level procedures • Total assets: 104% full audit, (4)% specific procedures and 100% Group level procedures.

KEY AUDIT AND ACCOUNTING MATTERS

Material misstatements	<p>Our audit identified one material misstatement:</p> <ul style="list-style-type: none"> • Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement (CIES) is correct in total but the income and expenditure elements were both understated by £23.210 million due to the incorrect netting off of the gain on investment properties against expenditure rather than income. <p>Management has amended the financial statements for this, which has no impact on the surplus on the provision of services for the year.</p>
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OVERVIEW

KEY AUDIT AND ACCOUNTING MATTERS (CONTINUED)

Unadjusted audit differences	<p>We are required to bring to your attention one audit difference that we have identified, but you are not proposing to adjust:</p> <ul style="list-style-type: none"> The estimate of the return on the pension scheme assets included in the actuarial report had overstated the Council's net pension liability by £1.851 million. <p>If corrected, while increasing net assets, this would have no impact on the surplus on the provision of services for the year.</p>
Control environment	<p>Our audit identified one significant deficiency in internal controls. However, we found a number of other deficiencies and have included recommendations within Appendix II of this report.</p>
Other financial reporting issues	<p>We noted the following from our review of the draft financial statements:</p> <ul style="list-style-type: none"> The Open Door Limited loan facility with the Council of £65 million, of which £3.5 million has been drawn down at 31 March 2018, has not been disclosed in the related parties note. Some immaterial notes and accounting policies were included in the draft financial statements and we have requested they be removed. A number of disclosure changes and we have requested they be amended. There have been in number of prior period adjustments. We have requested that these be clearly described by way of a restatements note.

KEY MATTERS FROM OUR AUDIT OF USE OF RESOURCES

Sustainable Finances	<p>Our work in this area is ongoing and we will update the Audit Committee at their meeting on 17 July.</p>
Family Services	<p>Although there has been a positive direction of travel during the year in terms of improvements made to Children's Services, because of Ofsted inspection rating the Council's Children's services as inadequate, we are unable to conclude that the Council has adequate arrangements for the delivery of safe and effective services for Children's services. Our use of resources conclusion will be modified to reflect this.</p>
Contract Management and Monitoring	<p>Our work in this area is ongoing and we will update the Audit Committee at their meeting on 17 July.</p>

AUDIT OPINION

Financial statements	<p>Subject to the successful resolution of outstanding matters set out on page 6, we anticipate issuing an unmodified opinion on the consolidated Group financial statements and the Council financial statements for the year ended 31 March 2018.</p>
Annual Governance Statement	<p>We have no exceptions to report in relation to the consistency of the Annual Governance Statement with the financial statements or our knowledge.</p>

OVERVIEW

AUDIT OPINION (CONTINUED)	
Use of resources	Subject to the successful resolution of outstanding matters set out on page 6, we anticipate issuing a modified opinion on the arrangements in place to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2018 in relation to the significant failings around delivery of safe and effective services for Children's services. Our work to conclude on the significant risk around financial sustainability and the risk around contract management is in progress.
Whole of Government Accounts (WGA)	We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the financial statements. We plan to issue our opinion on the consistency of the DCT return with the audited financial statements before the 31 August 2018 statutory deadline.
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.
Management letter of representation	The draft management letter of representation, to be approved and signed, is set out in Appendix VI.
Audit certificate	We will issue our audit certificate after we have completed our work on the group financial statements, Pension Fund financial statements, use of resources and Whole of Government Accounts, and after responding to any objections received from local electors.

OUTSTANDING MATTERS

The following matters are outstanding at the date of this report. We will update you on their current status at the Audit Committee meeting at which this report is considered:

1 We have not fully concluded on our work yet although the detailed procedures are largely complete in most areas. The outstanding areas include: testing of manual journals; valuations of council dwellings, investment properties and other land and buildings; payroll disclosures and related parties disclosures.

Clearance of outstanding issues on the audit queries tracker currently with management. The key items on the tracker are:

- 2**
- Remaining evidence for sample of journals
 - Remaining evidence for sample of debtors and creditors
 - Valuations source data testing

3 Bank Confirmations

4 Manager, Partner and Quality Control review, and clearance of review points

5 Final review and approval by you of the Statement of Accounts

6 Technical clearance

7 Subsequent events review

8 Management letter of representation, as attached in Appendix VI to be approved and signed

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT RISKS

Below we set out how these risks have been addressed and the outcomes of our procedures.

Key: ■ Significant risk ■ Normal risk

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1 Management override of controls	<p>Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>We have:</p> <ul style="list-style-type: none"> Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud Obtained 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. 	<p>We have used data analytics software, BDO Advantage, to review the Council's general ledger, in order to focus our testing of journals on higher risk areas. Our detailed testing of a sample of journals is substantially complete and work to date has not identified any significant issues.</p> <p>We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are set out in this report.</p> <p>We have identified no significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.</p>


KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
2	Revenue recognition	<p>Under auditing Standards there is a presumption that income recognition presents a fraud risk. 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 have tested a sample of grants subject to performance and / or conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES.</p>	<p>From the grant income testing performed there are no matters to report.</p>
3	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 have:</p> <ul style="list-style-type: none"> Reviewed the CIES by using a risk-based approach to review off ledger adjustments and ensure these have been appropriately prepared. Tested a sample of income and expenditure items to assess if the classification and treatment in the accounts is correct. Reviewed the prior period adjustments made to income and expenditure in the CIES. 	<p>We are satisfied that from the testing performed that the off-ledger adjustments to the CIES have been prepared appropriately.</p> <p>Our testing of the classification and treatment of income and expenditure is in progress but, from the work completed to date, there are no significant issues.</p> <p>From review of the prior period adjustments we are satisfied that these have been prepared in compliance with the CIPFA Code of Practice on Local Government Accounting.</p>

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	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>We consider there to be a risk over the valuation of land buildings, dwellings and investment properties where valuations are based on market assumptions or where updated valuations have not been provided for a class of assets at the year-end.</p>	<p>We have:</p> <ul style="list-style-type: none"> Reviewed 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 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 have gained sufficient assurance over the independence, objectivity and competence of the Council's valuation team, and therefore can rely upon their work in valuing the Council's property assets. In addition, we note that there is a robust review and challenge process in place within the finance team which provides further assurance.</p> <p>For the sample of PPE assets and investment properties reviewed we are satisfied that the basis of the valuation for each asset is appropriate.</p> <p>Our work in this area is in progress.</p> <p>We have challenged the valuer in respect of a number of property valuation movements which appeared unusual in comparison to general indices, and some of this work is still ongoing. Further information about our assessment of the estimates applied can be found on the following page.</p>

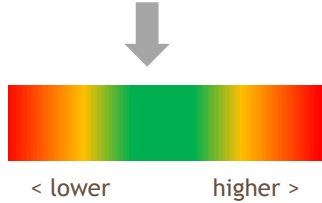
KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES		
Land, buildings, dwellings and investment property valuations		
ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	IMPACT
<p>Land and buildings are valued by reference to existing use market values</p> <p>Dwellings are valued by reference to open market value less a social housing discount</p> <p>Investment properties are valued by reference to highest and best use market value</p> <p>Some specialist buildings are valued at depreciated replacement cost by reference to building indices</p>	<p>Council Dwellings For Council dwellings, a flat rate of 6.0% increase in valuations has been applied to each property for 2017/18 (giving a total revaluation gain of £30.4 million after accounting for stock movements). We have compared this to national house price indices, which show increases of around 4% over the same period but prices within London dropping by 0.7%. We are currently carrying out further work to evaluate the appropriateness of the increase.</p> <p>Schools Council owned schools are valued at depreciated replacement cost on the basis of government guidance on the required floor area per pupil for different types of school. It is noted that the Council applies the maximum recommended floor area per pupil which is allowed by the government guidelines, which will result in valuations towards the top end of the range. The rationale for this is that schools constructed by the Council in recent years have been built to a high specification. This year, the Council has recognised a valuation decrease of 10% (£21.2 million) in respect of its schools' land and buildings, which is primarily as a result of building costs per square metre being revised in the current year to better reflect the present cost within the borough. We are currently assessing the appropriateness of this change.</p> <p>Investment Properties Investment properties have seen an overall increase in valuation of £26.2 million in year. Our review of a sample of investment property valuations and challenge of the assumptions used is ongoing.</p> <p>Surplus Assets Surplus assets have seen an overall revaluation increase of £2.4 million. We are currently assessing the assumptions used in the valuations.</p> <p>Other Land and Buildings Other land and buildings have been revalued downwards by a total of £15.2 million (9.3%). MCSI regional capital growth indices (for buildings) show regional increases of -0.7% for retail, -0.8% for office, and +7.4% for industrial, for the period Q1 2016 to Q1 2017 (as the effective date of the Council's valuations is 1 April 2017). We have tested a sample of properties, and will be challenging the valuer where individual movements appear unusual.</p>	<p style="text-align: center;">↓</p>  <p style="text-align: center;">< lower higher ></p>

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	Pension liability assumptions	<p>The pension liability comprises the Council's share of the market value of assets held in the London Borough of Barnet Pension Fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation. Management has agreed the assumptions made by the actuary to support the estimate and these are disclosed in the financial statements.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We have:</p> <ul style="list-style-type: none"> Agreed the disclosures to the information provided by the pension fund actuary Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data 	<p>We did not identify any significant issues regarding the accuracy of the disclosures in the financial statements or the accuracy and completeness of data provided by the fund to the actuary.</p> <p>We noted that the estimate of the Council's share of fund assets used to calculate the net pension liability in the draft accounts was based upon index returns, as the actuary did not have the actual investment return information at the time of drafting his report. As a result, the initial estimate has overstated the Council's net pension liability by £1.851 million.</p> <p>As the auditors of pension fund, we are in the process of reviewing the controls for providing accurate membership data to the actuary and are checking whether any significant changes in membership data were communicated to the actuary</p> <p>We consider that the assumptions and methodology used by the Council's actuary within the updated report are appropriate, and will result in an estimate of the net pension liability which falls within a reasonable range, subject to us gaining suitable assurance over the accuracy of the membership data used as described above.</p> <p>Our review of the reasonableness of assumptions used to calculate the present value of future pension obligations is noted in the following page</p>

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES					
Pension liability assumptions					
ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT			IMPACT	
The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows	The actuary has used the following assumptions to value to future pension liability:				
		Actual	Acceptable range		Comments
	RPI increase	3.4%	3.4%		Reasonable (tending to top of expected range)
	CPI increase	2.4%	2.4%		Reasonable
	Salary increase	2.7%	--		Reasonable (derived from RPI above)
	Pension increase	2.4%	2.4%		Reasonable
	Discount rate	2.6%	2.6-2.7%		Reasonable (tending to bottom of expected range)
	Mortality - LGPS:				
	- Male current	23.9 years	23.7-24.4		Reasonable
	- Female current	26.5 years	26.2-26.9		Reasonable
	- Male retired	21.9 years	21.5-22.8		Reasonable
	- Female retired	24.3 years	24.1-25.1		Reasonable
	Commutation	50%	50%		Reasonable
	The assumptions used fall within the reasonable range for the actuary.				

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
<p>6 Disposal of Mill Hill Depot</p>	<p>The Mill Hill Depot was 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 was valued based on the projected Annual Values of Future Development Income earned from the site, discounted to its present value.</p> <p>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 was 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 have reviewed the presentation of the land disposal and future expected capital receipts.</p>	<p>The Council has accounted for this transaction as a disposal and recognised a long-term debtor to recognise deferred capital receipts of £5.367 million due from the sale of properties.</p> <p>The loss on disposal of £2.232m was included in other operating expenditure in the draft accounts but should be included in financing and investment income and expenditure. We have requested this adjustment be made in the statement of accounts.</p>


KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
7 Consideration of related party transactions	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>We have:</p> <ul style="list-style-type: none"> Documented the related party transactions identification procedures in place and review relevant information concerning any such identified transactions Discussed 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. 	<p>We identified that the Open Door Limited loan facility with the Council of £65 million, of which £3.5 million had been drawn down at 31 March 2018, had not been disclosed in the related parties note.</p> <p>We have not identified any other undisclosed related party transactions within the draft accounts.</p> <p>Our work in this area is ongoing.</p>

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
8	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 have reviewed the provision model for significant income streams and debtor balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears.</p>	<p>Our assessment of the Council's significant accounting estimates in respect of allowances for non-collection of receivables is set out on the following page. We concluded that all estimates fall within a reasonable range.</p>

KEY AUDIT AND ACCOUNTING MATTERS

ACCOUNTING ESTIMATES		
Allowances for non-collection of receivables		
ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	IMPACT
Estimate of future write-offs of uncollectable debt	<p>Council tax arrears</p> <p>The Council has recognised a year-end provision of £18.373 million against gross arrears and related costs (excluding amounts attributable to the Greater London Authority) totalling £33.504 million. The provision has increased by £1.622 million from the prior year.</p> <p>The provision is estimated using historic collection rate information from last 4 years. We have reviewed the methodology and we are satisfied that all estimates fall within reasonable range.</p> <p>Other debtors</p> <p>Provisions against other debtors total £43.442 million, which is an increase of £28.566 million from the prior year. The most significant categories of debtor against which provisions are raised include housing rent arrears (£2.714 million), housing needs resource (£6.308 million) Penalty Charge Notices (£4.696 million), and NDR arrears (£2.628 million) Graham Park (3.5 million) and Housing Benefit Overpayment (£22.998 million).</p> <p>For each of these categories the Council has applied a different methodology, utilising historic collection rates and other data to set expectations for future collection rates.</p> <p>We have reviewed the methodologies used for each significant category of debtor and we are satisfied that all estimates fall within a reasonable range.</p>	<p style="text-align: center;">↓</p>  <p style="text-align: center;">< lower higher ></p>

KEY AUDIT AND ACCOUNTING MATTERS

OTHER ISSUES

We comment below on other issues identified in the course of our audit, of which we believe you should be aware:

AUDIT AREA	AUDIT FINDINGS
9	<p>Revenue Expenditure Funded from Capital under Statute</p> <p>The Council identified Revenue Expenditure Funded from Capital under Statute (REFCUS) of £7.5 million relating to the construction of the new Brent Cross West Thameslink station had been included in the Council's assets under construction additions. REFCUS is expenditure that may be classified under statute as capital but does not constitute additions to the Council's fixed assets, as the assets are not owned by the Council.</p> <p>To rectify this in the PPE disclosure note the assets under construction additions have been reduced by £7.5 million to make the transfer to REFCUS. As this understates additions in the current year, we consider it more appropriate for the adjustment to go through the PPE reclassifications line. This is a presentational adjustment, which has no impact on the surplus on the provision of services in the Comprehensive Income and Expenditure Statement.</p> <p>Our testing of assets under construction additions and REFCUS has not identified any issues.</p> <p>Management have made this adjustment in the statement of accounts.</p>
10	<p>Grahame Park - Genesis Housing</p> <p>The Council has been in negotiation with Genesis Housing over a loan of £5 million included in long term investments. We understand negotiations have now been concluded and the arrangement is for £1.5 million to be repaid by 31 March 2019. £3.5 million has been provided for as at 31 March 2018. The write off has been approved by the P&R Committee.</p> <p>The investment should be reclassified to short-term investments from long-term investments and impaired to £1.5 million rather than including £3.5 million in provisions. We have requested this be amended in the statement of accounts</p>
11	<p>Expenditure and Funding Analysis</p> <p>The Expenditure and Funding Analysis (EFA) reconciles the totals of the Comprehensive Income and Expenditure to the financial performance disclosure in the narrative report. However, in the draft Statement of Accounts the Net Expenditure Chargeable to General Fund and Housing Revenue Account Balances in the EFA did not agree to the financial performance disclosure in the Narrative Report. We have requested management to make this adjustment in the final statement of accounts.</p>
12	<p>Group accounts</p> <p>An incorrect restatement of £6.952 million was processed as the prior year pension error in The Barnet Group single entity accounts was corrected in the group accounts last year but TBG only corrected in 2017/18, therefore, the group accounts should not have been restated. This has been corrected in the Statement of Accounts.</p>

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	AUDIT FINDINGS
13	<p data-bbox="215 437 353 491">Immaterial disclosures</p> <p data-bbox="398 437 1783 466">The draft Statement of Accounts include a number of immaterial or surplus disclosure notes and accounting policies, as follows:</p> <ul data-bbox="450 475 1173 699" style="list-style-type: none"> <li data-bbox="450 475 1025 501">• Note - Material Items of Income and Expenditure <li data-bbox="450 507 779 533">• Note - Financing activities <li data-bbox="450 539 779 564">• Note - Trading operations <li data-bbox="450 571 1048 596">• Accounting policy - Community Infrastructure Levy <li data-bbox="450 603 869 628">• Accounting policy - Finance leases <li data-bbox="450 635 1173 660">• Accounting policy - Charges to Revenue for Non-Current Assets <li data-bbox="450 667 943 692">• Accounting policy - Rounding differences <p data-bbox="398 708 2072 762">We recommended that these notes and accounting policies are removed to improve clarity for the user of the accounts. Management considers the financing activities note and the Community Infrastructure Levy accounting policy to be qualitatively material with the other disclosures being removed.</p> <p data-bbox="398 769 2072 823">We have raised a recommendation at Appendix II that the Council continues to review the accounts next year to ensure that immaterial information is not included in line with Code requirements.</p>
14	<p data-bbox="215 852 353 906">Prior period adjustments</p> <p data-bbox="398 852 2072 963">Management have made a number prior period restatements and representations. We have reviewed the restatements to the Comprehensive Income and Expenditure and are satisfied that these have been prepared in compliance with the CIPFA Code of Practice on Local Government Accounting. A number of other restatements and representations have been made in the Statement of Accounts. We requested the reason for these to be detailed by way of separate note with additional disclosures (the restatement had been included within the notes to the Expenditure and Funding Analysis).</p> <p data-bbox="398 970 1733 995">Management have included a note to the accounts summarising these adjustments and including narrative to explain them.</p>
15	<p data-bbox="215 1059 353 1114">Disclosure adjustments</p> <p data-bbox="398 1059 2072 1114">The draft statement of accounts have been reviewed by our Technical Support Group which noted a number of disclosure adjustments to be made which Management have agreed to adjust.</p>
16	<p data-bbox="215 1177 353 1232">Assets under construction</p> <p data-bbox="398 1177 2072 1257">A significant portion of additions in the year are posted to assets under construction and then reclassified to the appropriate asset category at the year end and the PPE note reflects this. However, a significant amount of these assets do not meet the recognition requirements of assets under construction. We request that this be amended in the final statement of accounts.</p>

KEY AUDIT AND ACCOUNTING MATTERS

MATTERS REQUIRING ADDITIONAL CONSIDERATION

We comment below on other matters requiring additional consideration:

	AUDIT AREA	AUDIT FINDINGS
17	Fraud	<p>Whilst the Director of Finance and members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from those charged with governance on whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Plan on 19 April 2018.</p> <p>The Council notified us of a significant fraud identified in December 2017. Although significant the fraud has not materially misstated the statement of accounts.</p>
18	Internal audit	We reviewed the audit work of the Council's internal audit function to assist our risk scoping at the planning stage and to inform our Use of Resources assessment.
19	Group matters	<p>Following review of the component auditors' reporting we were satisfied with the quality of their work and can confirm:</p> <ul style="list-style-type: none"> • There were no limitations on the audit where information was restricted • We did not identify any fraud at a component level.

OTHER REPORTING MATTERS

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

MATTER	COMMENT
1	<p>We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.</p>
	<p>We are satisfied that the other information in the Statement of Accounts is consistent with the financial statements and our knowledge.</p> <p>Our audit identified some minor inconsistencies between the other information in the Statement of Accounts and the financial statements and we have asked that these be corrected in the revised Statement of Accounts.</p>
2	<p>We are required to report by exception if the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit.</p>
	<p>We have made some suggestions to improve clarity and have asked that these be corrected in the revised Annual Governance Statement.</p>

CONTROL ENVIRONMENT

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

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

We note that the Council's internal audit function has issued a number of observations and recommendations on the Council's control environment during 2017/18. We have not repeated these recommendations in this report unless we consider them to highlight significant deficiencies in control which we are required to report to you.

Our audit has identified the following significant deficiencies in 2017/18:

High-level oversight of financial controls

Throughout our audit, we noted 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, for example within payroll, adults and communities, revenues and benefits or IT teams. This includes key controls around the initiation of material income and expenditure streams, and the interfacing of financial information between feeder systems and Integra.

This in itself is not unusual within a large and complex organisation such as the Council. However, we do have some 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.

We have also identified other deficiencies in controls which have been discussed with management and included in the action plan at Appendix II.

WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

MATTER	COMMENT
<p>1 For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Authority for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.</p>	<p>Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 14 June 2018. The Council met this deadline.</p> <p>We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the Council's financial statements.</p> <p>We will issue our opinion on the consistency of the DCT return with the audited financial statements before the 31 August 2018 statutory deadline.</p>

USE OF RESOURCES

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

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

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

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

AUDIT RISKS

We assessed the following matters as audit risks, as identified in our Audit Plan to the Audit Committee. We have set out below how these risks have been addressed and the outcomes of our work.

USE OF RESOURCES

Key: ■ Significant risk ■ Normal risk

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
<p>1</p> <p>Financial sustainability</p>	<p>The Council had planned an overspend of £7.9 million. This was 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 identified that the continued support from reserves would not be viable. The Medium Term Financial Strategy (MTFS) updated in December 2017 forecast 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 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 were significant and achievement of these inherently challenging.</p> <p>Initial horizon planning suggested that there may be a further £32.5 million of cost pressures in 2020/21 and this would need to be covered from reserves and additional savings plans to be identified.</p> <p>We have:</p> <ul style="list-style-type: none"> • Reviewed the assumptions used in the MTFS and assessed the reasonableness of the cost pressures and the amount of Government grant reductions applied. • We are conducting our work into the delivery of the budgeted savings in 2017/18 and the plans to reduce services costs and increase income from 2018/19 - our testing in this area is progress. • We are reviewing the strategies to close the budget gap after 2018/19 - our testing in this area is progress. 	<p>The updated MTFS shows an anticipated budgeted gap of £42m to 2021/22 estimated to increase to £62m by 2024/25. The MTFS details that the Council’s reserves will be fully depleted by 2021.</p> <p>The Council have been able to deliver 88% of their savings plan in 2017/18 but have overspent by £21m.</p> <p>We are assessing the impact of the failure of the Council to close the budget gap. We will update the Audit Committee through a verbal update on 17 July 2018.</p>

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
<p>2</p> <p>Family Services</p>	<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.</p> <p>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 have:</p> <ul style="list-style-type: none"> • Reviewed the Ofsted Monitoring Reports issued through the year to determine the direction of travel of the services • Monitored progress against the Family Services Improvement action plan through the work that Internal Audit is completing • Reviewed the minutes of the Children, Education, Libraries and Safeguarding (CELS) Committee • Held meetings with key individuals to discuss the direction of travel of the services. 	<p>Although there has been a positive direction of travel during the year in terms of improvements made to Children's Services, because of Ofsted inspection rating the Council's Children's services as inadequate, we are unable to conclude that the Council has adequate arrangements for the delivery of safe and effective services for Children's services.</p> <p>We propose that our use of resources conclusion will be modified to reflect this.</p>

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
<p>3 Contract Management</p>	<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. We noted a number of concerns raised around performance of the Customer & Support Group and arrangements for managing performance of other contractors.</p> <p>Work in progress:</p> <ul style="list-style-type: none"> • Review of 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. 	<p>Our work in this area is ongoing and we will update the Audit Committee at their meeting on 17 July.</p>

APPENDICES

APPENDIX I: AUDIT DIFFERENCES

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

ADJUSTED AUDIT DIFFERENCES

Our audit identified one material misstatement:

- Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement (CIES) is correct in total but the income and expenditure elements were both understated by £23.210 million due to the incorrect netting off of the gain on investment properties against expenditure rather than income.

Other audit differences identified by our audit work that was adjusted by management:

- An in-year adjustment of £7.5 million to correct REFCUS was treated as negative additions to assets under construction but should have been disclosed through reclassifications.
- The loss on disposal of £2.232 million was included in other operating expenditure in the draft accounts but should be included in financing and investment income and expenditure. We have requested this adjustment be made in the statement of accounts.
- An incorrect restatement of £6.952 million was processed as the prior year pension error in The Barnet Group single entity accounts was corrected in the group accounts last year but TBG only corrected in 2017/18, therefore, the group accounts should not have been restated.

These had no impact on the surplus on provision of services.

UNADJUSTED AUDIT DIFFERENCES

There is one unadjusted audit difference identified by our audit work which would have no impact on the surplus on provision of services if corrected. You consider these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement however, we also request that you correct them even though not material.

APPENDIX I: AUDIT DIFFERENCES

	£'000	INCOME AND EXPENDITURE		STATEMENT OF FINANCIAL POSITION	
		DR £'000	CR £'000	DR £'000	CR £'000
Group surplus on provision of services before adjustments	9,507				
DR Pension Scheme Liability				1,851	
CR Pension Reserve					1,851
<i>Impact of net pension liability on using actual return on assets (N.B. this adjustment passes through other comprehensive income in the CIES and therefore does not impact upon the surplus on the provision of services)</i>					
TOTAL UNADJUSTED AUDIT DIFFERENCES					
Group surplus on provision of services if adjustments accounted for	9,507				

There are no adjustments which impact on the group surplus on provision of services to date.

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

Key: ■ Significant deficiency in internal control ■ Other deficiency in internal control ■ Other observations

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
STATEMENT OF ACCOUNTS AND FINANCIAL STATEMENTS					
High-level oversight of financial controls	<p>As in the prior year, we noted 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, for example within payroll, adults and communities, revenues and benefits or IT teams. This includes key controls around the initiation of material income and expenditure streams, and the interfacing of financial information between feeder systems and Integra.</p> <p>This in itself is not unusual within a large and complex organisation such as the Council. However, we do have some 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.</p>	<p>We recommend that management conducts a review and assessment of the overall internal control system. 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.</p> <p>We recommend the Council considers seeking Service Auditor Reports for services conducted outside of its core finance team which would provide assurance over the operating effectiveness of controls in these areas.</p>	XXX	XXX	XXX
Reconciliation of the payroll reports to the General Ledger	<p>A year-end reconciliation is performed between the payroll system and the general ledger. The reconciliation is then reviewed by a member of the finance team, however this review is not documented. Monthly payroll reconciliations are not performed.</p> <p>This increases the risk that an error in the payroll reconciliation is not detected if the review is either not performed or not performed thoroughly.</p>	<p>We recommend monthly payroll reconciliations are performed the review be evidenced by to demonstrate the reconciliation has been checked, such as signature and ticking off each line of the reconciliation.</p>	XXX	XXX	XXX

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Review of School Annual Entitlement	<p>The annual entitlement calculation is reviewed by the School Funding Manager, including investigating year-on-year variances. However there is no set threshold over which all variances are reviewed and there is no documentation or evidence of the review being performed.</p> <p>This Increases the risk of an error is not being picked up by the review, resulting in misstatement of schools entitlement.</p>	We recommend the review should be evidenced by a separate spreadsheet being used to document all variances investigated, using a suitable threshold and the resulting explanations or corrections.	XXX	XXX	XXX

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

We have followed up on the recommendations that we raised in the prior year:

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
ANNUAL REPORT AND ACCOUNTS					
Accounts preparation process	<p>The first draft accounts presented for audit included material 'grossing up' errors whereby both income and expenditure for both the current and prior years was materially overstated. In addition, management has confirmed that there were material 'netting off' errors in the prior year financial statements such that income and expenditure were understated by £40.9 million. We have also identified several classification errors within the current year draft accounts.</p> <p>Whilst these errors have arisen partly as a result of the changes to the format of the CIES this year, it is also our view that the Council's ledger structure and chart of accounts is too complex, and the level of manual intervention and off-ledger adjustments required presents a risk of error and / or manipulation to the accuracy of the financial statements.</p>	<p>We recommended that management conducts a detailed review with a view to determining whether there is scope to simplify the current ledger structure and accounts preparation process, particularly around the level of manual intervention and off-ledger adjustments required in the preparation of the CIES.</p> <p>Where off-ledger adjustments are required, the process should be clearly documented in advance of year-end, with explanations of each adjustment required. This will reduce the risk of error or omission during the accounts preparation phase.</p> <p>Off-ledger adjustments should be subject to a documented review and authorisation process which mirrors that required for journals posted within Integra.</p>	XXX	XXX	XXX

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
High level oversight of financial controls	<p>Throughout our audit, we noted 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, for example within payroll, adults and communities, revenues and benefits or IT teams. This includes key controls around the initiation of material income and expenditure streams, and the interfacing of financial information between feeder systems and Integra.</p> <p>This in itself is not unusual within a large and complex organisation such as the Council. However, we do have some 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.</p>	<p>We recommended that management conducts a review and assessment of the overall internal control system. 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.</p>	XXX	XXX	XXX
Bank and other control account reconciliations	<p>The year-end bank reconciliations which were first provided to us contained a number of errors, and did not reconcile. We have now been provided with satisfactory reconciliations. However, discussions with the finance team have confirmed that reconciliations have not always been prepared and reviewed on a timely basis throughout the year. This increases the risk that errors or fraud relating to the Council's bank accounts may not be detected in a timely way, and this may result in financial loss to the Council.</p> <p>In addition, we identified issues in respect of other control account reconciliations including lack of documentary evidence of review, and a failure to investigate and clear unreconciled differences in a timely manner.</p>	<p>We recommended that a monitoring process is put into place to ensure that all control account reconciliations (including bank reconciliations) are prepared and reviewed at an appropriate level on a timely basis throughout the year, and that any differences arising are appropriately explained and cleared in a timely manner. Evidence of this process should be documented and retained.</p>	XXX	XXX	XXX

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Related party declaration process	Delays were experienced in receiving annual related party declarations from a number of current Members of the Council.	We recommended that a process is put into place whereby there is appropriate Member oversight of the process (for example through the Audit Committee), in an attempt to improve the timeliness of returns.	XXX	XXX	XXX
Related party transaction controls	We identified that not all declared related parties had been included on the finance team's analysis of related party transactions, which increases the risk of undisclosed related party transactions.	We recommended that a control is put into place to check that all declared related parties have been included within the finance team's analysis at year-end.	XXX	XXX	XXX
Developer deposits	Our testing of a sample of creditors identified balances totalling £4.725 million in respect of developer deposits which were more than 1 year old at the balance sheet date. The outstanding balance is high in the context of the movement in year, and indicates a risk that there are some balances which should either be repaid to developers, or recognised as income to the Council.	We recommended that a control is put into place to ensure periodic and regular review of old deposit balance, to ensure that these are repaid or recognised as income on a timely basis.			
Schools bank accounts	The Council's policy is to reconcile all schools bank accounts as at 15 March each year, with any transactions between this date and year-end being accounted for as accrued income or expenditure. This will cause a misstatement within the Balance Sheet each year.	We recommended that the Council reviews its processes going forwards to ensure that schools transactions can be correctly accounted for up until year-end.			

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Exit packages	Our review of the draft exit packages disclosure note identified that this 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.	We recommended that a control is put into place as part of the year-end process to ensure that any exit packages which have been agreed in year but paid in the following year are identified and reported.			
Housing Benefits Overpayment Debtor and Impairment Allowance	We identified that the Council had not recognised a Housing Benefits Overpayment debtor or corresponding impairment allowance. A report from the Housing Benefits system identified that the overpayment debtor is around £20 million of which we would expect a significant proportion to be impaired	We recommended that management review the Housing Benefit overpayment debtor and undertake detailed analysis of the potential recovery of the debt to accurately estimate an impairment provision.			
Immaterial disclosures	The Statement of Accounts contain a number of disclosure notes which are immaterial, and should be removed in accordance with Code requirements that a local authority shall not reduce the understandability of its financial statements by obscuring material information with immaterial information.	We recommended that a review is carried out prior to the accounts preparation exercise next year to ensure that immaterial information which has historically been included within the Statement of Accounts is removed.			
Annual Governance Statement	The Annual Governance Statement (AGS) sets out the Council's sources of assurance in respect of the six core principles of the CIPFA/SOLACE 2012 Framework Delivering Good Governance in Local Government. However, the AGS could be improved by providing more information about the outcomes of the various assurance processes in place. In addition, there is little information given concerning the processes adopted, and outcomes, in respect of an overall effectiveness review covering the Council's whole governance framework.	We noted management's intention to review the structure of the AGS in 2017/18 in response to the updated CIPFA/SOLACE Framework which was published in 2016. As part of this review, we recommended that management consider our suggestions as to how the AGS can be further improved.			

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Narrative Statement	Our review of the draft Narrative Statement found that it did not contain any commentary on the group accounts or the financial performance of the Housing Revenue Account, as required by the Code, and also that a number of other recommended disclosure areas were omitted.	We recommended that management reviews CIPFA guidance in advance of preparing the 2017/18 Narrative Statement, to identify areas for improvement going forward.			

APPENDIX III: MATERIALITY

MATERIALITY - COUNCIL

	FINAL £	PLANNING £
Materiality	15,500,000	15,000,000
Clearly trivial threshold	310,000	300,000

Planning materiality of £15,500,000 was based on 1.5% of gross expenditure, using the prior year group financial statements.

We revised our materiality because of increased gross expenditure reported in the draft financial statements.

MATERIALITY - GROUP

	FINAL £	PLANNING £
Materiality	5,000,000	5,000,000
Clearly trivial threshold	310,000	300,000

Component materiality is set for those entities where component auditors perform an audit or a review for the 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.

APPENDIX IV: INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2018.

Details of services, other than audit, provided by us to the Council and the Group during the period and up to the date of this report were provided in our Audit Plan. These services have been approved by the Director of Finance.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council and the Group.

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

APPENDIX V: FEES SCHEDULE

	2017/18 PROPOSED £	2017/18 PLANNED £	2016//17 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee	170,025	170,025	170,025	As per PSAA scale fee
Additional code audit fee	-	-	31,877	Awaiting scale fee variation
Fee for reporting on the housing benefits subsidy claim	21,000	21,000	21,000	As per PSAA scale fee
TOTAL AUDIT AND CERTIFICATION FEES	191,025	191,025	222,902	
Fees for reporting on other government grants:				
• Pooling of housing capital receipts return	2,750	2,750	2,750	N/A
• Teachers' pension return	5,000	5,000	5,000	N/A
Fees for other non-audit services	-	-	-	N/A
NON-AUDIT ASSURANCE SERVICES	7,750	7,750	7,750	
TOTAL ASSURANCE SERVICES	198,775	198,775	230,652	

APPENDIX VI: DRAFT LETTER OF REPRESENTATION

TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP
55 Baker Street
London
W1U 7EU

[XX] May 2018

Dear Sirs

Financial statements of London Borough of Barnet and the Group for the year ended 31 March 2018

We confirm that the following representations given to you in connection with your audit of the Council's financial statements and the Group financial statements for the year ended 31 March 2018 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Interim Director of Finance has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of Responsibilities of Auditors and Audited Bodies within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015, and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2018 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

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

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

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

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

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

- Management
- Employees; or
- Others where the fraud could have a material effect on the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

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

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

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

We confirm that the following debtors and accrued income are recoverable and should not be impaired:

- Comer Homes at £1.3 million (over three years old) in relation to energy costs that should be refunded by the landlord for the North London Business Park

We confirm the following significant assumptions made in relation to accounting estimates (including fair value measurements) used in the preparation of the financial statements:

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 2.4%
- Rate of increase in salaries: 2.7%
- Rate of increase in pensions: 2.4%
- Rate of discounting scheme liabilities: 2.6%
- LGPS commutation take up option: 50%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

b) Valuation of housing stock, other land and buildings and investment properties

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to council dwellings and other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

We are satisfied that investment properties have been appropriately assessed as level 2 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for council tax arrears, NDR arrears, housing benefit overpayments, housing rent arrears and parking charges are reasonable, based on collection rate data.

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

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

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

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

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

Yours faithfully

Kevin Bartle
Interim Director of Finance
[XX] July 2018

Cllr Anthony Finn
Chair
Signed on behalf of the Audit Committee
[XX] July 2018

APPENDIX VII: DRAFT AUDIT REPORT

[To be inserted]

APPENDIX VIII: AUDIT QUALITY

BDO is totally committed to audit quality

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

BDO welcomes feedback from external bodies and is committed to implementing all necessary actions to address their findings.

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

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

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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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Draft
Statement of
Accounts
for the year ended
31 March 2018

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Introduction

Our overall purpose as a council is to work together for residents and businesses to ensure:

- successful places;
- great outcomes;
- quality services; and
- resilient communities.

Barnet is an ambitious council that aspires to deliver excellent modern services to residents at the best possible value to the taxpayer. The diverse borough has some of the best schools in the country, over 200 parks and open spaces and a comprehensive regeneration programme with seven major regeneration schemes currently transforming the borough. Our focus is on reaching the best outcomes for our residents and working with a range of public, private, and voluntary sector organisations to achieve this. We will always support our vulnerable residents and will target our resources at those most in need, whilst ensuring that everyone can benefit from the opportunities that growth and investment will bring to the borough. Our aim is to support residents to stay independent for as long as possible. This means equipping residents with the skills to help themselves and intervening early to address and respond to issues as they arise.

Changing demographics and a growing population – particularly among the very young and the very old – continues to put pressure on local public services. The council operates on a sound financial footing, despite continued reductions to our budget and an ever-increasing demand for services. And with the highest population of any London borough, currently forecast at 389,000, this is a great achievement. The uncertain economic climate adds to this challenge, as Brexit creates uncertainty in 2018/19 and beyond with the financial impacts not currently quantified and unknown as to whether they will be positive or negative.

As we continue to reduce the day to day running costs of the council to make savings, we are investing heavily in the future infrastructure of the borough. As well as building new housing, leisure centres, schools and community buildings, the council is also investing in improvements to our pavements and roads and our green spaces. The council's regeneration programme will see £6bn of private sector investment over the next 25 years, which will create around 20,000 new homes, up to 30,000 new jobs and additional income for the council. The schemes at Colindale, Stone Grove, West Hendon and Dollis Valley are well on the way to completion whilst plans are well advanced at Brent Cross to modernise the shopping centre and build new homes.

Barnet is also continuing to be innovative by investing heavily in new technologies that are part of a major customer services transformation programme. This will ensure residents receive a more efficient and flexible service whilst also making vital savings for the council. The aim of this programme is to move towards 80% of contact with the council being online or through other digital means by 2020. Inevitably, steps are being taken to ensure there will be support and access arrangements available for those who are unable to get online.

Narrative Report

Key Achievements in 2017/18

Over the last year we have made significant progress in delivering our priorities and ensuring that Barnet continues to be a successful and thriving borough. It is encouraging to see that in our most recent resident perception survey, 85% of Barnet residents said they are satisfied with their local area as a place to live.

Our Corporate Priorities 2017/18	What we've achieved
Delivering quality services	<ul style="list-style-type: none"> • We prevented a record number of people from becoming homeless • We have established a small and multi-professional team to lead in the delivery of support to high risk/high vulnerability adolescents. The new team, REACH (Resilient, Engaged, Achieving Children), has engaged with 83 young people during 2017/18. • 95% of Barnet primary schools and 96% of secondary schools are graded good or outstanding.
Responsible growth, regeneration and investment	<ul style="list-style-type: none"> • The next stages of regeneration plans for Brent Cross Cricklewood have been approved. • The council's affordable housing programme saw work begin in summer 2017 at the first sites. This will deliver 27 affordable homes for rent. • We secured £20million investment in high speed broadband through Virgin Broadband's 'Project Lightning' that was rolled out during 2017/18.
Building resilience in residents and managing demand	<ul style="list-style-type: none"> • Strengths-based practice is being embedded in Adults Social Care with two new Care Space hubs opened across the borough. • We are investing in two further extra care schemes to support people with dementia, creating over 150 new extra care apartments in the borough. • Our new telecare service has installed equipment for an additional 689 vulnerable residents. • In October 2017, the BOOST (Burnt Oak Opportunity Support Team) schemes had supported 1,448 people into work.
Transforming local services	<ul style="list-style-type: none"> • We launched the Kooth online counselling service for 11-25 year olds, with 176 Barnet young people using the service in the first three months. • Throughout the year webforms increased whilst telephony, face-to-face and email volumes fell by at least 10%. • We started our three-year journey in partnership with UNICEF to deliver the Child Friendly City or Community Initiative. Our vision is to become a Child Friendly Community by 2020.
Promoting community engagement, independence and capacity	<ul style="list-style-type: none"> • We provided support to around 260 adults with disabilities in Barnet, helping ten individuals into employment and a further eight into volunteering roles. • We have been promoting apprenticeship opportunities, offering 100 vacancies across the council and partners. • We have implemented a new Library Strategy and completed our buildings programme in all 14 of our libraries, meaning ten libraries now have self-service opening.

Delivering our Priorities

The council is operating in a period of unprecedented change as local government funding is transforming, requiring all councils to be self-sufficient and to raise enough income locally to run their services. The council has been forward-thinking by setting five-year plans wherever possible for the Corporate Plan – with refreshed addendums each year - alongside a four-year planning cycle for the Medium Term Financial Strategy. The Corporate Plan provides a focus for the council's priorities, programmes, policies and projects and what the council aims to achieve by 2020 whilst the Medium Term Financial Strategy establishes the resource commitments to deliver these priorities. Both documents will take us up until 2020.

To deliver our priorities we use the principles of Fairness, Responsibility and Opportunity which are at the centre of our whole approach. These principles are underpinned by a commitment to continual improvement in our customer services and to be as transparent as possible with the information we hold and our decision-making. Our staff are also a core part of how we deliver our services and priorities, and achieve our outcomes here at Barnet. A set of values are in place that guide the way we work with partners and customers. Whether we are commissioning services or delivering them on the front line, our values are at the heart of what we do:

1. **We care** – about Barnet, its people and businesses, and those we work with
2. **We can be trusted** – we are open, honest, act with integrity and are dependable
3. **We work together** – we actively listen, respond, collaborate and share ideas to achieve the best outcomes with residents, businesses and colleagues
4. **We embrace change and innovation** – we continually ask what we can do better, or differently. We encourage creativity and value ideas. We will celebrate our success and learn from mistakes.
5. **We value diversity** – we value different perspectives, individuality and treat everyone with respect. We will always strive to ensure the organisation embraces the richness of our community.

Governance

The Annual Governance Statement describes the council's governance framework, sets out how it has reviewed its governance arrangements and discloses the actions taken, or proposed, to deal with any significant governance issues. The statement is signed by the Leader of the Council and the Chief Executive Officer.

Strategy and Resource Allocation

Reduced funding from central government coupled with an increase in demographic pressures has meant that the past seven years have been a period of significant challenge for local government. Barnet has always sought to be ahead of the curve in terms of financial planning; by adopting a long-term view of future challenges the council has managed to save over £144m between 2010 and 2017 whilst maintaining high levels of resident satisfaction.

With demand on local services set to increase and local authorities having to generate more and more of their income locally, the next few years will present further financial challenges, with a £40.795m budget gap to close by 2020. Beyond 2020, although Government funding settlements for the Council are unknown, we will still need to continue to look ahead and consider how to deliver services differently as pressures on our budget continue.

There were a number of known pressures that were included in the MTFs for 2017 to 2020; these included inflationary pressures on pay and contracts, demographic increases and the impact of existing underlying budget pressures. During 2017/18, the Council also allocated additional funding from contingency to meet changing priorities and pressures. In particular, £5.430m was allocated to Family Services to fund the increased cost of complex packages, increases in numbers of children in care, investment associated with the 0-25 service and investment associated with improvement in practice.

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£1.300m was allocated to the Housing Needs and Resources service in recognition of the sustained increase in the cost of temporary accommodation.

The budget for 2017/18 included savings proposals of £19.825m to reach a balanced position. The council's savings plans through to 2020 place a greater emphasis on ways to reduce demand on services – through the community doing more, intervening earlier to treat the cause not the problem, and influencing residents to change their behaviour, for example by recycling more. £17.531m (88%) of the planned savings were achieved in 2017/18.

Investing in the future is a key strand of the council's response to the scale of the challenge facing local government from funding reductions and increasing demand. Barnet will not be able to support the growth needed to ensure the council's financial independence without investment for the future. The capital programme not only supports the growth agenda but also includes a number of additions that enable the achievement of the revenue savings proposals.

The capital programme allocated £345.173m in 2017/18 (£834.915m up to 2020) with the main spend planned on schools, relocation of the Mill Hill depot, land acquisition to enable regeneration at Brent Cross, the Brent Cross Thameslink station, the new council offices at Colindale, construction of two leisure centres and investment in housing and infrastructure. The budget was revised during the year to £228.513m with the reduction of £116.660m being re-profiled in future years.

Financial Performance

The council managed a net General Fund revenue budget of £277.195m during 2017/18. After net drawdowns from reserves totalling £5.594m, the outturn for the year was £285.080m, which resulted in an overspend of £7.885m (2.8%), as set out below.

Service Area	2017/18				
	Budget (a) £'000	Actual as per Outturn (b) £'000	(Under)/ Overspend as per Outturn (c) £'000	Reserve and Non specific grant Adjustments (d) £'000	Expenditure and Funding Analysis Note 7 (d)+(b) £'000
Adults and Communities	87,177	88,384	1,207	1,717	90,101
Assurance	6,089	6,727	638	76	6,803
Central Expenses	41,421	38,453	(2,968)	1,985	40,438
Commissioning Group	20,941	20,180	(761)	3,903	24,083
Customer and Support Group	21,833	24,650	2,817	5,083	29,733
Education and Skills	6,718	6,668	(50)	2,376	9,044
Family Services	58,504	60,942	2,438	42	60,984
Housing Needs and Resources	6,859	7,747	888	27	7,774
Local Authority Housing (HRA)	-	-	-	(8,995)	(8,995)
Parking and Infrastructure	(4,072)	(4,450)	(378)	(2,235)	(6,685)
Public Health	17,610	17,610	-	(19,363)	(1,753)
Regional Enterprise	321	4,275	3,954	(6,018)	(1,743)
Street Scene	13,794	13,894	100	277	14,171
Net Expenditure on Services	277,195	285,080	7,885	(21,125)	263,955
Other Income and Expenditure	-	-	-	(252,131)	(252,131)
(Surplus) or Deficit on Provision of Services	277,195	285,080	7,885	(273,256)	11,824

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Service Area	2016/17				Expenditure and Funding Analysis Note 7 (d)+(b) £'000
	Budget (a)	Actual as per Outturn (b)	(Under)/ Overspend as per Outturn (c)	Reserve and Non specific grant Adjustments (d)	
	£'000	£'000	£'000	£'000	
Adults and Communities	86,808	92,161	5,353	(1,164)	90,997
Assurance	3,847	3,846	(1)	3,271	7,117
Central Expenses	41,800	41,298	(502)	(16,784)	24,514
Commissioning Group	22,049	22,388	339	7,750	30,138
Customer and Support Group	22,086	22,586	500	6,250	28,836
Education and Skills	7,084	7,257	173	954	8,211
Family Services	54,863	55,289	426	1,887	57,176
Housing Needs and Resources	5,559	7,365	1,806	(323)	7,042
Local Authority Housing (HRA)	-	-	-	(6,876)	(6,876)
Parking and Infrastructure	(1,838)	(1,838)	-	2,022	184
Public Health	18,055	18,055	-	(17,590)	465
Regional Enterprise	1,130	1,364	234	9,306	10,670
Street Scene	13,525	13,527	2	3,537	17,064
Net Expenditure on Services	274,968	283,298	8,330	(7,760)	275,538
Other Income and Expenditure	-	-	-	(260,691)	(260,691)
(Surplus) or Deficit on Provision of Services	274,968	283,298	8,330	(268,451)	14,847

The actual expenditure of the council is subject to regular financial and operational monitoring and reported publicly on a quarterly basis to the Performance and Contract Management Committee. The principal reasons for the overspend in 2017/18 are as follows:

- Adult Social Care (ASC) has experienced increasing complexity and demand for services since 2014/15. The learning disability budgets have been experiencing pressure as a result of the transforming care agenda and the overspend also includes expenditure relating to backdated claims for Ordinary Residence. There is also significant pressure resulting from homecare, equipment and nursing care placements. The overspend on placements was offset by staffing and other non-placements savings and additional income.
- The underspend on Central Expenses was mainly due to the cost of financing the borrowing related to the capital programme due to slippage on the anticipated profiling of capital expenditure. This was offset by a one off overspend on insurance which was caused by a requirement to increase the value of the insurance provision.
- The overspend for the Customer Support Group (including council managed budgets) relates mainly to the estates service. Additional costs were incurred as a result of additional security requirements, management of operational, void and/or vulnerable sites, additional costs incurred due to the relocation of the Mill Hill Depot and unbudgeted lease costs.
- The Family Services overspend relates mainly to external high cost specialist placements and associated services and the additional directed requirement for two assistant heads of service, three duty assessment team managers and eight duty assessment team social workers.
- The overspend relates to income recovered from developers, specifically income generated under all existing and new Planning Development Agreements, which recover the council's costs relating to the services provided by RE and will contribute to the achievement of guaranteed income values for each contract year. The council budgets for the guaranteed income within the RE service line,

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however a significant proportion of the income is actually received within the ringfenced Housing Revenue Account (HRA) and consequently this causes an income shortfall within the General Fund.

At the start of 2017/18 General Fund balances totalled £9.6m. The overspend during the year would have depleted this value close to zero. The Section 151 Officer has therefore made the decision to top up the balance so that the Council begins the new year with an appropriate level. This top up was funded by the realignment of revenue reserves.

The Expenditure and Funding Analysis presents the outturn by service (adjusted for items classed as other income and expenditure such as interest paid and received and investment property rents) and further adjustments required by statute or reporting standards are made to arrive at the amount reported in the Comprehensive Income and Expenditure Statement. These include adjustments for capital purposes and pensions. A summary of the adjustments is listed below.

	2017/18	2016/17
	£000	£000
Net expenditure on services	285,080	283,298
Capital and other adjustments not recorded against service budgets	34,677	(14,040)
Adjusted net expenditure	319,757	269,258
Other operating expenditure (note 10)	937	9,970
Financing and Investment Income and Expenditure (note 11)	(2,727)	22,805
Taxation and Non-Specific Grant Income (note 12)	(329,990)	(305,875)
Surplus on the provision of services	(12,023)	(3,842)
Surplus on revaluation of property	14,125	(10,471)
(Gains)/losses on the pension fund	(27,976)	48,285
Total Comprehensive Income and Expenditure (surplus)/deficit	(25,874)	33,972

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Capital Programme

The council spent £163.456m on its capital programme in 2017/18, which is summarised in the table below. The in-year underspend of £65.057m will be profiled and subsequently spent in 2018/19 and future years.

Service Area	2017/18 Budget £000	2017/18 Actual £000	2016/17 Actual £000
Adults and Communities	2,032	2,233	1,968
Education and Skills	27,933	14,648	28,030
Family Services	10,551	7,571	1,649
Commissioning Group	36,651	33,572	18,852
Housing Needs and Resources	20,758	15,153	4,072
Commercial – Parking and Infrastructure	2,247	1,922	1,121
Regional Enterprise	74,634	38,079	42,708
Street Scene	3,293	899	1,085
Housing Revenue Account	50,414	49,379	37,826
Total Capital Expenditure	228,513	163,456	137,311
Financed by			
Grants and other contributions	(61,498)	(59,102)	(32,473)
Capital receipts	(23,946)	(32,706)	(21,004)
Borrowing	(92,899)	(34,042)	(32,899)
HRA revenue / Major Repairs Allowance	(30,335)	(29,258)	(29,248)
Reserves	(19,320)	(8,348)	(20,749)
General Fund revenue	(515)	-	(938)
	(228,513)	(163,456)	(137,311)

The most significant items of capital investment in 2017/18 included the primary and secondary school expansion programmes to meet demand for school places (£13.482m), the new office build at Colindale (£17.525m), the Brent Cross Thameslink Station (£14.847m), investment in highways infrastructure (including Transport for London schemes) (£14.945m), investment in new leisure facilities and libraries (£10.168m), provision of housing and temporary accommodation (£15.153m) and the Housing Revenue Account capital programme (£49.379m).

Non-Financial Performance of the Council

The **Corporate Plan 2015-2020** sets out the council's vision and strategy for a five-year period. Each year an addendum to the Corporate Plan is published with refreshed priorities and suite of indicators to help us monitor performance. The 2017/18 addendum was approved by Council in March 2017.

65% of Corporate Plan indicators achieved target in 2017/18 and 68% improved on last year (2016/17). In addition to these indicators, targets were set to monitor service performance. Across the council, 70% of service indicators achieved target in 2017/18 and 64% improved on last year¹.

Adult Social Care

The mental health enablement pathway restructure has been reviewed to confirm the benefits realised in its first year. These include improved links with primary care, enabling individuals to be managed in community settings, increased use of strength-based practice tools such as the single page profile to

¹ There were 62 Corporate Plan indicators and 160 service indicators.

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support assessments and increased referrals into telecare and assistive technology services. The performance targets for minimising care home admissions for both 18-64 year olds and people aged 65+ were achieved in 2017/18 and improved on last year (2016/17).

Indicator	Polarity	2017/18 Annual Target	2017/18 EOY Result	2016/17 EOY Result	DOT Long Term (From EOY 2016/17)	Benchmarking
Permanent admissions to residential and nursing care homes, per 100,000 population age 18-64	Smaller is Better	15	3.2 (G)	8.5	▲ Improving	Nearest Neighbours 7.7 England 12.8 (NASCIS, 2016/17)
Permanent admissions to residential and nursing care homes, per 100,000 population age 65+	Smaller is Better	500	312.5 (G)	381.9	▲ Improving	Nearest Neighbours 404.2 England 610.7 (NASCIS, 2016/17)

Children's Social Care

Ofsted completed an inspection of Children's Services and a review of the effectiveness of the Local Children's Safeguarding Board between 25 April and 18 May 2017. The report detailing the findings of the inspection and review was published on 7 July 2017 with an overall judgement of inadequate. This result prompted the creation of the Ofsted Improvement Action Plan, which supports the improvement of outcomes for vulnerable children, a priority across the council and its partners. The plan is ongoing and has delivered improvements already, confirmed by the follow-up Ofsted monitoring visits in November 2017, January and April 2018 which found that, while there is more work to be done, there had been satisfactory progress and a positive sense of direction. The fourth monitoring visit is scheduled for July 2018 and will support the continuing improvement of this top priority.

The REACH (Resilient, Engaged, Achieving Children) team was formed in 2017/18 to work with young people to reduce their risk of, and vulnerability to, engaging in gangs, serious youth violence, child sexual exploitation, missing episodes and related vulnerabilities. The team is now embedded into standard practice. Met Police figures on knife injury victims under 25 years old show a slight reduction of 2.1% in 2017/18 (47) compared with 2016/17 (48).

Barnet is a thriving borough, with some of the best schools in the country. 95 per cent of schools are rated good or better by Ofsted; and GCSE results are above the national average.

Indicator	Polarity	2017/18 Annual Target	2017/18 EOY Result	2016/17 EOY Result	DOT Long Term (From EOY 2016/17)	Benchmarking
Average Attainment 8 score	Bigger is Better	Top 10% in England (=top 15 ranking)	54.7 (Ranked 5 th) (G)	56.1 (Ranked 5 th)	↔ Same	Statistical Neighbours 49.5 London: 48.9 National 46.4 (2016/17, DfE)
Average Progress 8 score	Bigger is Better	Top 10% in England (=top 15 ranking)	0.47 (Ranked 3 rd) (G)	0.33 (Ranked 4 th)	▲ Improving	Statistical Neighbours 0.24 London 0.22 National 0.00 (2016/17, DfE)

Environment

Service quality remains a priority for the council. The recycling rate for Q3 was 36.1% (slightly down on last year, 36.7%). Barnet has consistently been in the top ten London Boroughs. However, household waste remains at a high level (152kg per household in Q3) with Barnet among the worst performing

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London Boroughs (ranked 21 out of 25). The last residents' satisfaction survey in autumn 2017, showed satisfaction with refuse and recycling to be high at 79% (above the national average, 77%). In 2017/18, the Street Scene service underwent an organisational restructure whilst proceeding with a modernisation programme that introduced new electric vehicles and machinery to improve operational efficiency.

The speed at which RE identifies and fixes potholes remains an area of concern, with frequent failure to achieve performance targets. High level discussions have taken place between all parties to agree an improvement action plan. Efforts to reduce public highway damage caused by development work in the borough are underway via a dedicated inspection team, with warning letters and invoices issued to developers for repairs. The Network Recovery Programme (NRP) has progressed well in 2017/18 resulting in major road, pavement and safety schemes being completed. A £7.2 million budget for Year 4 of the NRP was approved in March 2018.

Indicator	Polarity	2017/18 Annual Target	2017/18 EOY Result	2016/17 EOY Result	DOT Long Term (From EOY 2016/17)	Benchmarking
Percentage of household waste sent for reuse, recycling and composting	Bigger is Better	42% (Q3 target 40.1%)	36.1% (Q3) (R)	36.7% (Q3)	▼ Worsening	Rank 7 (out of 25 London Boroughs) (Q1 2017/18, Wasteflow)
Waste tonnage – residual per household	Smaller is Better	604kg HH (Q3 target 149kg HH)	152kg HH (Q3) (R)	154kg HH (Q3)	▲ Improving	Rank 21 (out of the 25 London Boroughs) (Q1 2017/18, Wasteflow)
Percentage of residents who are satisfied with refuse and recycling services	Bigger is Better	82%	79% (Autumn 2017) (G)	75% (Autumn 2016)	↔ Same	National 77% (June 2017, LGA)

Community Safety

The proposals for the Metropolitan Police to adopt a tri-borough format in Barnet, Brent and Harrow has been recognised as having the potential to impact community safety in the borough. This is being managed as part of Barnet's strategic risk management framework with controls and actions in place to minimise negative effects. Barnet remains one of London's safest boroughs with a low crime rate. In the last 12 months (to February 2018) there were 69.7 crimes per 1,000 residents in Barnet, which was the eighth lowest rate of total crime per person out of all 32 London Boroughs and 27% lower than the London average. The rate of violent crime was even lower: Barnet had the second lowest rate of violent crime out of the 32 London boroughs, with 5.8 Violence with Injury offences per 1,000 population (34% below the London average).

The Safer Communities Partnership Board has been implementing the 2017-2020 Violence Against Women and Girls (VAWG) strategy and action plan. The plan has an emphasis on victims facing additional barriers including those with complex multiple needs such as domestic violence, mental health and substance misuse. During 2017/18 the number of repeat cases of domestic violence (10%) has remained significantly and consistently below the national average (25%). However, the rate of detection of domestic violence has worsened throughout the year (23.4%, compared with 32.4% last year), a trend which the VAWG strategy seeks to reverse.

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Indicator	Polarity	2017/18 Annual Target	2017/18 EOY Result	2016/17 EOY Result	DOT Long Term (From EOY 2016/17)	Benchmarking
Percentage of repeat cases of Domestic Violence to MARAC	Smaller is Better	Monitor	10.0%	12.8%	▲ Improving	National 25% (April 2015 - March 2016, Safelife)
Sanction Detection Rate of 'Domestic Abuse - Violence with Injury' Offences	Bigger is Better	Monitor	23.4%	32.4%	▼ Worsening	Met Police 31.8% (January – December 2017, Met Police)

Housing

Provisional results for the number of new homes completed in Barnet in 2017/18 (1,183) shows a significant gap against the end of year target (2,313). This is due to a lag in reporting new build completions, estimated to be of several months. Barnet Homes has helped over 1,100 people to find homes, preventing them from becoming homeless during 2017/18. However, numbers in emergency temporary accommodation have risen to 244 (from 149 last year). Despite this the average length of time people need to stay in emergency temporary accommodation has fallen by almost a third (to 38.7 weeks) from 2016/17 (67.8 weeks).

Aluminium composite material cladding on Barnet Homes sites is being removed as part of ongoing operations taking place over 24 months. 59 scheduled fire risk assessments were completed on time during 2017/18, with access issues delaying two assessments. This delay prompted improvements to the process with Barnet now receiving immediate notification of any future access issues. 100% (64) of Barnet's fire risk safety actions were completed on time in 2017/18, exceeding the 90% target.

Indicator	Polarity	2017/18 Annual Target	2017/18 EOY Result	2016/17 EOY Result	DOT Long Term (From EOY 2016/17)	Benchmarking
New homes completed ²	Bigger is Better	2,313	1,183 ³	2,230	▼ Worsening	No benchmark available
Number of Homelessness Preventions	Bigger is Better	1,050	1,140 (G)	972	▲ Improving	Rank 2 nd Quartile (2016/17, DCLG)
Numbers in Emergency Temporary Accommodation (ETA)	Smaller is Better	175	244 (R)	149	▼ Worsening	Rank 10 (out of 33 London Boroughs) (Q3 2017/18, DCLG)
Length of stay in Emergency Temporary Accommodation (ETA)	Smaller is Better	Monitor	38.7 weeks	67.8 weeks	▲ Improving	No benchmark available
Percentage of scheduled fire risk assessments completed in period	Bigger is Better	100%	96.7% (GA)	New for 2017/18	New for 2017/18	No benchmark available
Percentage of priority 0 and 1 fire safety actions completed in time	Bigger is Better	90%	100% (G)	New for 2017/18	New for 2017/18	No benchmark available

² This indicator measures all new homes in the borough (including as part of regeneration schemes and private development schemes).

³ This is a provisional result (1,183) as at March 2018, so no RAG rating applied. The final result will be published in the GLA Annual Monitoring Report in May 2019. Last year's result (1,798) is also a provisional result. The final result will be published in the GLA Annual Monitoring Report in May 2018.

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Customer Service

Barnet is a place where people want to live, work and study. The last residents' survey in the autumn 2017 found that 85% of people are satisfied with Barnet as a place to live (above the London average, 80%); and 64% of people are satisfied with the way the council runs things, including the delivery of key services such as refuse collection and recycling.

90% of customers rate their experience of Barnet customer service as good and Barnet is consistently in the top 5 for face-to-face customer satisfaction (out of 60 local authorities). Website satisfaction (48%) has been hindered by issues with the launch of the new 'My Account' and inaccurate information about bin collection dates, which are being resolved.

Indicator	Polarity	2017/18 Annual Target	2017/18 EOY Result	2016/17 EOY Result	DOT Long Term (From EOY 2016/17)	Benchmarking
Percentage of residents who are satisfied with Barnet as a place to live ⁴	Bigger is Better	90%	85% (Autumn 2017) (GA)	85% (Autumn 2016)	↔ Same	London 80% (2016/17, LGA) National 81% (June 2017, LGA)
Percentage of residents who are satisfied with the way the council runs things ³	Bigger is Better	74%	65% (Autumn 2017) (R)	71% (Autumn 2016)	▼ Worsening	London 63% (2016/17, LGA) National 66% (June 2017, LGA)
Overall satisfaction with customer services	Bigger is Better	89%	91% (G)	91%	↔ Same	No benchmark available
Satisfaction with the council's website	Bigger is Better	55%	48% (GA)	55%	▼ Worsening	No benchmark available

Business Rates/Council Tax

An additional £8.641m of council tax has been collected compared to last year. The net annual collectable council tax for 2017/18 is £203.1m, an increase of £9.1m compared to 2016/17. The council tax collection rate of 98.6% achieved the year-end target (98.5%). The business rate collection rate (99.4%) also achieved its year-end target (99%). Both collection rates improved in 2017/18 compared with 2016/17.

Indicator	Polarity	2017/18 Annual Target	2017/18 EOY Result	2016/17 EOY Result	DOT Long Term (From EOY 2016/17)	Benchmarking
Council Tax collection (Not in-year)	Bigger is Better	98.5%	98.6% (G)	98.5%	▲ Improving	Outer London 97.0% (2016/17, DCLG)
Business rate collection (Not in-year)	Bigger is Better	99.0%	99.4% (G)	99.1%	▲ Improving	Outer London 98.6% (2016/17, DCLG)

⁴ There is a +/-4.4%pts tolerance on the results due to the confidence interval for the sample size (i.e. if we surveyed the whole population we can be confident that the results would be the same +/- 4.4%). This is reflected in the RAG rating and DOT for the indicators in the Corporate Plan and Commissioning Plans.

The Statement of Accounts

The Statement of Accounts for the London Borough of Barnet provides a picture of the council's financial position at 31 March 2018 and a summary of its income and expenditure in 2017/18. It is, in parts, a complex document which is prepared in accordance with legislation and accounting guidance which ensures that the accounts of all Government funded bodies provide comparable and consistent information.

The Accounts are approved by the Audit Committee and the Independent Auditor's Report to the Members of the London Borough of Barnet confirms whether the accounts provide a true and fair view of the council's financial position.

The accounts are published in full on the council's website at: <http://www.barnet.gov.uk>.

Core Financial Statements

The *Comprehensive Income and Expenditure Statement* is the primary statement illustrating performance. It summarises the income receivable and expenditure incurred in operating the council's services for the year. The statement shows a surplus for 2017/18 of £25.874m (2016/17:£33.972m) which represents the amount by which income exceeds expenditure. The *Expenditure and Funding Analysis (Note 7)* shows how the council's funding has been used in providing services and also how this expenditure is allocated for decision making purposes between the council's delivery units.

The *Movement in Reserves Statement* shows the movement in the reserves held by the council analysed into 'usable reserves' (i.e. those that can be used to fund expenditure) and 'unusable' reserves. Total reserves at 31 March 2018 were £747.953m compared with £722.079m at 31 March 2017.

The *Balance Sheet* summarises the council's assets, liabilities and reserves. At 31 March 2018, the council's net worth was £747.953m compared with £722.079m, an increase of £25.874m.

The *Cash Flow Statement* summarises, in cash terms, the council's transactions with its taxpayers, its customers, its suppliers, the Government and other parties.

The notes to the accounts provide analysis of various categories of income and expenditure and the additional information that the council is required to disclose, such as details of capital expenditure and sources of finance, officers' remuneration and information on pensions. Included in the notes is the statement of accounting policies which explains the policies adopted by the council to prepare these accounts.

Supplementary Statements

The Housing Revenue Account reflects the statutory obligation to account separately for the council's housing provision. The statement shows the major elements of income and expenditure.

As well as collecting its own tax, the council collects business rates on behalf of the Government and the Greater London Authority (GLA) and council tax on behalf of the GLA (as a precept on the council tax). All of this activity is summarised in the Collection Fund Account.

The Group Accounts report the full extent of the assets and liabilities of the council and the companies which the council either controls or significantly influences. The council consolidates the accounts of two wholly owned subsidiary companies: The Barnet Group Ltd and Barnet Holdings Ltd. The group accounts boundaries are reviewed annually and none of the other companies in which the council has an interest have traded to date and so are not required to be consolidated.

Narrative Report

The Annual Governance Statement describes the council's governance framework, sets out how it has reviewed its governance arrangements and discloses the actions taken, or proposed, to deal with any significant governance issues. The statement is signed by the Leader of the Council and the Chief Executive Officer.

The Statement of Responsibilities for the Statement of Accounts outlines the responsibilities of the council and of the Chief Finance Officer. The certificate of the Chief Finance Officer is a statement that confirms the validity of the information presented in the accounts. The Chief Finance Officer considers whether any material events have occurred since 31 March 2018 and has concluded that other than matters disclosed in the annual governance statement no other events have occurred that require to be disclosed.

The Statement of Accounts concludes with a glossary of financial terms, designed to assist the reader in understanding the information presented.

Looking Forward for the Council

In Barnet, the impact of falling public spending and increasing demand for services has meant the council has needed to save £144m between 2010 and 2017 – 59% of its budget. The savings gap which was identified for 2018 to 2020 was £40.795m. £17.695m of the budget gap is due to be met from reserves by 2019/20 and there are savings proposals to mitigate £28.556m. After contributing approximately £12.133million to infrastructure works, there is a remaining gap of £6.677m.

It is difficult to forecast beyond 2019/20 when the current four-year settlement ends. However, due to the continuing increase in the demand for services, there will continue to be pressure on the council's budget beyond 2020 and well into the next decade. A number of mid to long term pressures and risks have been identified post 2020, including the funding of future residual waste management arrangements through North London Waste Authority (NLWA) which is likely to incur additional annual costs in the region of £6m by 2025.

There remains a great deal of uncertainty around local government funding, however any new Local Government Finance System is expected to place increasing emphasis on councils being more self-sufficient. The 2019/20 Revenue Support Grant (RSG) is expected to be £6.1m, compared with £77m in 2013/14 and it is forecast that the council will receive no RSG after 2019/20 given the trajectory of reduction.

The council is currently undertaking a 'Priorities and Spending Review' (PSR) to fully revise its MTFS through to 2025. This will involve the development of options to balance the increasing demand and expectations of residents with the constrained funding available to the council. The programme is structured around demand-focused workstreams led by subject matter experts from within the authority, working with partners. It includes a number of phases, involving the development of a high-level vision, analytical work to understand demand drivers and the development of savings proposals based on those drivers of demand. A Task and Finish Group and Programme Team provide support and leadership throughout the process.

The section 151 officer maintains a high level mid to long-term forecast of the council's income and expenditure levels. This forward-looking approach supports strong financial management and enables the organisation to take appropriate strategic decisions well in advance. Taking considered decisions in this way minimises shocks and supports effective decision making.

Narrative Report

Conclusion

The council has a strong track record of delivering savings and has ambitious plans to ensure that, despite the financial challenges faced, the quality of local services is not compromised. The council will continue to work hard to ensure high quality services at the lowest possible cost are delivered to residents and businesses.

Should you require further information about the financial statements please contact the Finance Team at the London Borough of Barnet at: Ground Floor Building 2, North London Business Park, Oakleigh Road South, Barnet, N11 1NP, or email inspectionofaccounts@barnet.gov.uk.

Section 151 Officer

Draft

Statement of Responsibilities

The Council's Responsibilities

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the London Borough of Barnet that officer is the Director of Finance and Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Finance and S151 Officer Responsibilities

The Director of Finance and Section 151 Officer is responsible for the preparation of the London Borough of Barnet's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

In preparing this Statement of Accounts, the Director of Finance and Section 151 Officer has:

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

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the London Borough of Barnet Council at 31 March 2018 and its income and expenditure for the year then ended. The draft accounts were published on 31 May 2018.

 31ST MAY 2018

Kevin Bartle
Director of Finance and Section 151 Officer

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on 17 July 2018

Chair of Audit Committee
Councillor xxxxxxx

Core Financial Statements

Comprehensive Income and Expenditure Statement (CIES)

This statement summarises the income and expenditure of the council in providing services during 2017/18. The statement also shows how the council's services are funded through council tax, business rates, government grants and fees and charges made by the council for its services.

Comprehensive Income and Expenditure Statement	Note	2017/18			2016/17		
		Gross expenditure	Gross income	Net expenditure	Gross expenditure*	Gross income *	Net expenditure*
		£'000	£'000	£'000	£'000	£'000	£'000
Adults and Communities		132,255	(39,816)	92,439	124,213	(33,304)	90,909
Central Expenses		33,556	(3,218)	30,338	18,362	(2,658)	15,704
Commissioning Group		315,035	(282,305)	32,730	305,556	(277,261)	28,295
Customer and Support Group		47,701	(11,216)	36,485	45,333	(10,910)	34,423
Education and Skills		301,467	(261,444)	40,023	293,956	(252,127)	41,829
Family Services		75,805	(8,109)	67,696	63,592	(6,241)	57,351
Housing Needs and Resources		32,897	(22,413)	10,484	29,702	(22,393)	7,309
Local Authority Housing (HRA)		24,220	(62,010)	(37,790)	30,183	(63,245)	(33,062)
Parking and Infrastructure		13,594	(19,300)	(5,706)	16,920	(17,353)	(433)
Public Health		15,856	(17,609)	(1,753)	18,656	(18,191)	465
Regional Enterprise		59,127	(30,621)	28,506	39,018	(36,997)	2,021
Street Scene		23,622	(4,514)	19,108	25,304	(6,626)	18,678
Assurance		8,106	(909)	7,197	7,779	(2,010)	5,769
Cost of Services		1,083,241	(763,484)	319,757	1,018,574	(749,316)	269,258
Other Operating Expenditure	10	1,303	(2,598)	(1,295)	9,970		9,970
Financing and Investment Income and Expenditure	11	29,979	(30,474)	(495)	27,435	(4,630)	22,805
Taxation and Non-Specific Grant Income	12		(329,990)	(329,990)		(305,875)	(305,875)
Surplus on Provision of Services		1,114,523	(1,126,546)	(12,023)	1,055,979	(1,059,821)	(3,842)
Deficit/(Surplus) on revaluation of non-current assets				14,125			(10,471)
Remeasurement of the net defined benefit liability	35			(27,976)			48,285
Other Comprehensive Income and Expenditure				(13,851)			37,814
Total Comprehensive Income and Expenditure				(25,874)			33,972

* 2016/17 restated see note 5

Core Financial Statements

Movement in Reserves Statement (MIRS)

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

Movements in Reserves 2017/18

	General Fund Balance	School Balances	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2017	9,614	11,252	96,799	12,489	35,488	18,075	73,883	257,600	464,479	722,079
Surplus / (Deficit) on provision of services	(33,935)	1,237	-	44,721	-	-	-	12,023	-	12,023
Other comprehensive income and expenditure	-	-	-	-	-	-	-	-	13,851	13,851
Total comprehensive income and expenditure	(33,935)	1,237	-	44,721	-	-	-	12,023	13,851	25,874
Adjustments between accounting basis and funding basis under regulations	8 18,360	-	-	(42,207)	(6,151)	(5,886)	11,680	(24,204)	24,204	-
Net increase / (decrease) in year	(15,575)	1,237	-	2,514	(6,151)	(5,886)	11,680	(12,181)	38,055	25,874
Transfer to/(from) earmarked reserves	9 21,044	-	(21,044)	-	-	-	-	-	-	-
Balance as at 31 March 2018	15,083	12,489	75,755	15,003	29,337	12,189	85,563	245,419	502,534	747,953

Movements in Reserves 2016/17

	General Fund Balance	School Balances	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2016	12,544	11,635	112,000	8,820	40,175	23,213	75,243	283,630	472,421	756,051
Surplus / (Deficit) on provision of services	(25,502)	(383)	-	29,727	-	-	-	3,842	-	3,842
Other comprehensive income and expenditure	-	-	-	-	-	-	-	-	(37,814)	(37,814)
Total comprehensive income and expenditure	(25,502)	(383)	-	29,727	-	-	-	3,842	(37,814)	(33,972)
Adjustments between accounting basis and funding basis under regulations	8 7,371	-	-	(26,058)	(4,687)	(5,138)	(1,360)	(29,872)	29,872	-
Net increase / (decrease) in year	(18,131)	(383)	-	3,669	(4,687)	(5,138)	(1,360)	(26,030)	(7,942)	(33,972)
Transfer to/(from) earmarked reserves	9 15,201	-	(15,201)	-	-	-	-	-	-	-
Balance as at 31 March 2017	9,614	11,252	96,799	12,489	35,488	18,075	73,883	257,600	464,479	722,079

Core Financial Statements

Balance Sheet

The Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the council are matched by the reserves. Only usable reserves are available to support delivery of the council's services to residents. Details of the usable reserves can be seen in the Movement in Reserves Statement.

	Note	31 March 2018		31 March 2017	
		£'000	£'000	£'000	£'000
Property plant and equipment	13	1,340,025		1,296,938	
Heritage assets	13	1,583		1,567	
Investment properties	13	128,812		123,371	
Intangible assets	13	11,993		5,477	
Long term debtors	15	9,822		1,212	
Long term investments	15	5,000		5,011	
Total Long Term Assets			1,497,235		1,433,576
Inventories		131		314	
Short term investments	15	33,030		62,167	
Short term debtors	16	133,157		178,050	
Cash and cash equivalents	17	69,755		38,615	
Total Current Assets			236,073		279,146
Short term borrowing	15	(1,461)		(1,434)	
Short term creditors	18	(110,469)		(121,225)	
Provisions	19	(10,219)		(7,920)	
Total Current Liabilities			(122,149)		(130,579)
Long term borrowing	15	(304,614)		(304,699)	
Provisions	19	(7,956)		(6,750)	
Pension scheme	35	(535,146)		(532,641)	
Long term lease (PFI)	32	(15,490)		(15,974)	
Total Long Term Liabilities			(863,206)		(860,064)
Net Assets			747,953		722,079
Usable reserves	8	245,419		257,600	
Unusable reserves	20	502,534		464,479	
Total Reserves			747,953		722,079

Core Financial Statements

Cash Flow Statement

This shows the changes in cash and cash equivalents of the council during the year. The statement classifies the council's cash flows between operating, investing and financing activities. Operating activities reflect the day to day income from grants and taxation together with expenditure on services provided by the council. Investing activities summarise the expenditure made to support future activities, for example capital expenditure on housing and schools. Financing activities demonstrate how the council has managed its borrowings to fund its operating and investing activities.

	Note	2017/18		2016/17	
		£'000	£'000	£'000	£'000
Net surplus on the provision of services		12,023		3,842	
Adjustment to the surplus on the provision of services for non-cash movements	21	113,984		34,220	
Adjustment for items included in the net surplus on the provision of services that are investing and financing activities	21	(102,714)		(53,804)	
Net cash flows from operating activities			23,293		(15,742)
Net cash flows from investing activities	22		8,331		8,004
Net cash flows from financing activities			(484)		(859)
Net (decrease)/ increase in cash and cash equivalents			31,140		(8,597)
Cash and cash equivalents at the beginning of the reporting period			38,615		47,212
Cash and cash equivalents at the end of the reporting period	17		69,755		38,615

1. Accounting Policies

1.1 Introduction

The Statement of Accounts summarises the London Borough of Barnet's transactions for the financial year 2017/18 and its financial position at 31 March 2018. The accounting policies adopted, that are material to the context of the council's accounts for 2017/18, are set out within the following pages. The accounting policies explain the basis for the recognition, measurement and disclosure of transactions and other events within the Statement of Accounts.

1.2 General Principles

The council's Statement of Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory regulations.

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied (modified by the revaluation of certain categories of non-current assets and financial instruments).

1.3 Accruals of Income and Expenditure

The council accounts for income and expenditure in the year that the activity took place not simply when the cash payments are made or received.

Where revenue and expenditure have been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded on the Balance Sheet. The council's de-minimus is £0.005m

1.4 Income Recognition (Fees and Charges, Rents, etc.)

Income is measured in the council's accounts at the fair value of the consideration received or receivable. For the majority of the income the payment is received in the form of cash or cash equivalent receivable. Where the council acts as agent for another body the income collected is not included in the council's accounts.

Income from the sale of goods and services is recognised in the council's accounts when the amount of income can be measured accurately and it is probable that the income will be received and the goods or services have been provided.

1.5. Fair Value measurement

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

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

Notes to the Accounts

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

1.6. Provisions

Provisions are charged as an expense to the appropriate service expenditure line in the CIES, where an event has taken place that gives the council a legal or constructive obligation that probably will be settled by the transfer of economic benefit or service potential and a reliable estimate can be made of the amount of the obligation. Provisions are held on the balance sheet at the best estimate of expenditure required to settle the obligation taking into account the relevant risks and uncertainties.

1.7 Government Grants and Contributions

Government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that the council will comply with any conditions attached to them and the grants and contributions are likely to be received.

Once the conditions are satisfied the grants and contributions are credited to the CIES as follows:

- Ring-fenced revenue grants and contributions - credited to the relevant service line in the CIES.
- Ring-fenced capital grants and contributions - credited to Taxation and Non-Specific Grant income in the CIES.
- Non Ring-fenced revenue grants - credited to Taxation and Non-Specific Grants income in the CIES.

Notes to the Accounts

Where specific revenue grants and contributions are credited to the CIES, but the associated expenditure has not yet been incurred, the grant is set aside in an earmarked reserve so that it can be matched with the expenditure when it is incurred in a subsequent year. Where a revenue grant is received and conditions are not satisfied it is carried in the Balance Sheet as a creditor. When the condition is met it is then credited to the CIES.

Capital grants and contributions are reversed out of the General Fund Balance through the Movement in Reserves Statement and are either transferred to the Capital Adjustment Account, if the eligible expenditure has been incurred, or to the Capital Grants Unapplied Account. Grants are subsequently released into the Capital Adjustment Account when the eligible expenditure is incurred.

1.8 Community Infrastructure Levy (CIL)

The council charges a CIL on new builds (chargeable developments for the authority) with appropriate planning consent. The income from the levy is largely used to fund a number of capital infrastructure projects. CIL is received without outstanding conditions; it is therefore credited to the CIES at the commencement date of the chargeable development. It is then transferred to a useable reserve until required to fund the capital projects.

1.9 Council tax and Non-Domestic Rates

The council as a billing authority act as an agent collecting council tax and non-domestic rates on behalf of the major preceptors and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate 'Collection Fund' account, for the collection and distribution of council tax and business rates. Billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and business rates could be less or more than predicted.

The council tax and NDR income included in the CIES is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The council's Balance Sheet includes the council's share of council tax and non-domestic arrears, prepayments, impairment allowance for doubtful debts, non-domestic rates appeals and the council's portion of any surplus or deficit on the Collection Fund Account. Amounts due to or from precepting authorities are recorded as debtors or creditors on the council's Balance Sheet.

1.10 Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services and then reversed through the Movement in Reserves Statement and held as

Notes to the Accounts

a balance on the Accumulating Compensated Absences Adjustment Account.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the appropriate service line in the CIES at the earlier of when the council can no longer withdraw the offer of the benefit or when the council recognises the costs of restructuring.

Post-Employment (Retirement) Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme (LGPS).

Both schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council.

Local Government Pension Scheme (LGPS)

The scheme is accounted for as a defined benefits scheme. Hence:

- The liabilities of the LGPS attributable to the council are included in the council's balance sheet on an actuarial basis, using the projected unit cost method.
- The Fund's liabilities are discounted to their value at current prices, using a discount rate that is based upon the indicative rate of return on a high quality corporate bond of equivalent currency and term to the scheme's liabilities.
- The Fund's assets attributable to the council are included on the Balance Sheet at fair value
- Changes in the net pension liability are analysed into the following components:
 - Service costs comprising: Current service and past service costs are charged to the service lines of the CIES.
 - Net interest on the net defined benefit liability is charged or credited to the 'Financing and Investment Income and Expenditure' line of the CIES.
 - The council recognises the cost of retirement benefits in the Comprehensive Income and Expenditure Statement (Cost of Services) when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

Notes to the Accounts

- Re-measurements of the net pension liability (comprising return on assets excluding amounts included in net interest and the net defined benefit liability and actuarial gains and losses) are charged to the Pension Reserve as part of 'Other Comprehensive Income and Expenditure' line.
- Employer contributions paid to the Fund in settlement of liabilities are not accounted for as an expense within the CIES.

Teachers' Pension Scheme

The teachers' pension scheme, whilst being a defined benefit scheme, is treated as a defined contribution scheme, as under the scheme arrangements the liabilities of the scheme cannot be identified specifically to the council. This means that the pension costs reported for any year are equal to the contributions payable for the scheme for the same period. The costs are recognised within Surplus or Deficit on Provision of Services. The council's Balance Sheet does not include a liability for future payments under the scheme.

Discretionary Benefits

The council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for in line with the accounting arrangement for the LGPS.

1.11 Minimum Revenue Provision

Statute requires the council to set money aside each year for the repayment of loans originally taken out to finance capital expenditure. This is called the minimum revenue provision (MRP).

The MRP Provision is calculated in line with the 2017/18 MRP Policy agreed by council in March 2017 and the Local Government Guidance on MRP.

The council's policy is to:

- Apply the Capital Financing Requirement (CFR) MRP calculation method for supported capital expenditure.
- Apply for unsupported capital expenditure incurred on or after 1 April 2008, the calculation based on the useful asset life of the asset using equal annual instalments.

MRP in respect of leases and Public Finance Initiatives (PFI) brought onto the Balance Sheet under the Code will match the annual principal repayment for the associated deferred liability.

There is no requirement on the Housing Revenue Account (HRA) to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

1.12 Value Added Tax (VAT)

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

1.13 Support Services

Where support services are a department in their own right, the CIES will report them in line with the council's operating and decision-making reporting structure e.g. Customer and Support Group.

1.14 Reserves

The council sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by apportioning amounts out of the General Fund or Housing Revenue Account balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus / Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund or Housing Revenue Account balance in the Movement in Reserves Statement, so that there is no net charge against council tax or rents for the expenditure. All applications for specific reserves are subject to approval by the Chief Finance Officer. Specific reserves are discretionary not mandatory.

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

1.15 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Any expenditure on an asset that is under £50,000 is considered non-enhancing and is treated as revenue expenditure. Any acquisitions such as equipment and vehicles for less than £50,000 are assessed and included in Property, Plant and Equipment if considered appropriate to do so.

The council has schools in the following categories: community schools, foundation schools, voluntary aided schools and academies. Community and foundation schools are treated on Balance Sheet based on the risks and rewards the council is deemed to have, and voluntary aided schools and academies are excluded from the council's Balance Sheet. This means that the council recognises the Property, Plant and Equipment of the following categories of locally maintained schools in the financial statements:

- Community and community special schools; and Foundation and Foundation Trust schools (other than those owned by religious bodies).

The Property, Plant and Equipment of voluntary aided are not recognised in the council's financial statements. In the majority of cases, the council has ownership of the playing fields for these

Notes to the Accounts

categories of schools, which are recognised on the council's balance sheet.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Infrastructure (including street lighting PFI), community assets and assets under construction – depreciated historical cost.
- Dwellings – current value, determined using the basis of existing use value for social housing (EUVSH).
- Surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets (For example schools, leisure centers, crematorium, etc. – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of current value because of the specialist nature of an asset, the valuation method of Depreciated Replacement Cost (DRC) is used as an estimate of current value. Examples of specialist assets include: schools, leisure centres, crematorium and cemeteries prior to their being run on a more commercial basis. The DRC method of valuation provides the current cost of replacing an asset with its Modern Equivalent Asset (MEA) less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. The council, where possible, has used direct evidence from its own capital programmes to determine the MEA cost basis for specialist assets. Where this evidence is not available, Building Cost Information Service construction cost figures have been used.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost is used as a proxy for current value. The freehold and leasehold properties that comprise the council's property portfolio are subject to a five year rolling programme of revaluation, although the top ten properties, shops and industrial sites, all schools and all assets valued on a DRC basis are valued every year, which is 90% (by value) of the council's property portfolio. This ensures that

Notes to the Accounts

where market conditions or rebuilding costs alter, all affected assets are considered over a reasonable period of time.

Accounting for property value gains and losses

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for as follows:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

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

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

Depreciation and useful lives

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

Notes to the Accounts

Depreciation is calculated on the following bases:

Asset Category	Depreciation Base	Estimated useful life
Land	n/a	n/a
Buildings, Council Dwellings and Schools	Straight line	1 to 50 years as estimated by the valuer.
Vehicles Plant and Equipment	Straight line	5 to 20 years
Infrastructure	Straight line	10 to 30 years
PFI street lighting	Straight line	25 years

Assets under construction are re-categorised upon completion, from which point depreciation will be charged in accordance with the relevant depreciation policy.

Depreciation charges commence in the first full year after the asset is purchased or becomes operational.

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

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A component is considered significant when the cost of the component is 20% or greater of the total cost of the asset and has a differing useful life. Each component is depreciated separately except where there is more than one significant component within the same asset which has the same useful life and depreciation method; such components may be grouped in determining the depreciation charge.

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

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale.

When Property, Plant and Equipment is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES.

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

Receipts from Disposal

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

Amounts received for a disposal are categorised as capital receipts. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement).

Receipts from sale of Council Houses

A proportion of receipts relating to housing disposals (net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve.

1.16 Heritage Assets

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

Property Heritage Assets

These are held on the Balance Sheet based on the following valuation methods as appropriate for each asset:

- Current value based on a Depreciated Replacement Cost (DRC), fair value, or insurance valuation.

The assets are revalued every five years as part of the council's rolling programme of revaluations.

Mayor's Regalia and Silverware

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

Heritage Assets not held on the Balance Sheet

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

General Accounting Policy

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, for example where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in

accordance with the council's general policies on impairment. The council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. The collection of heritage assets is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation. The heritage assets are deemed to have indeterminate lives and a high residual value; hence the council does not consider it appropriate to charge depreciation.

1.17 Investment Properties

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

Measurement

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. As a non-financial asset, investment properties are measured at highest and best use. Investment Properties are not depreciated. Shops and industrial units are revalued annually. The remaining investment properties are revalued on a five-year cycle unless market conditions at year end change.

Accounting Arrangements

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

1.18 Private Finance Initiative (PFI)

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

The assets are accounted for in accordance with the accounting policy for Property, Plant and Equipment. A PFI liability is also recognised on the council's Balance Sheet for amounts due to the scheme operator for capital investment.

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

Notes to the Accounts

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

1.19 Leases

The council does not utilise or lease out any property, plant, equipment or vehicles under finance lease arrangements.

Operating Leases

Council as Lessee

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

The Council as Lessor

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

1.20 Intangible Assets

These are assets that do not have a physical form but which are identifiable and provide the council with rights to future economic benefits. The council's intangible assets are made up of software licences. The policy is to amortise the costs of the assets over their economic life which will vary from one asset to another up to a maximum of 10 years.

1.21 Revenue Expenditure Funded from Capital under Statute

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

1.22 Charges to Revenue for Non-Current Assets

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

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

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

1.23 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that have a maturity date of less than three months and are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

1.24 Financial Instruments

The definition of a financial instrument is: "Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity". The term "financial instrument" covers both financial assets and financial liabilities. The Council's borrowing, service concession arrangements (PFI and finance leases) and investment transactions are classified as financial instruments.

Notes to the Accounts

Financial Liabilities

Financial liabilities are recognised on the council's Balance Sheet when the council becomes party to the contractual provisions of the financial instrument. Financial liabilities are initially measured at fair value and are carried at their amortised cost.

Interest is charged to the Financing and Investment income and Expenditure line of the CIES, based on the carrying amount of the liabilities, multiplied by the effective interest rate for the instrument. This means that:

- The amount included in the Balance Sheet is the outstanding principal repayable, plus the accrued interest.
- Interest charged to the CIES is the amount payable for the year in accordance with the loan agreement.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expired.

Financial Assets

Financial Assets are recognised on the Balance Sheet when the council becomes party to the contractual provision of the instrument.

There are two categories of Financial Asset:

- Loans and receivables - assets that have fixed and determinable payments but are not quoted in an active market. They are initially measured at fair value, and subsequently at their amortised cost. Interest receivable is credited to the Financing and Investment Income and Expenditure line of the CIES, based on the carrying amount of the assets, multiplied by the effective interest rate for the instrument. This means that the amount included in the Balance Sheet is the outstanding principal receivable, plus the accrued interest; and interest credited to the CIES is the amount receivable for the year according to the loan arrangement.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. They are initially measured and carried at fair value.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and investment Income and Expenditure line of the CIES along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve for available for sale assets.

Available for sale assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.
- Equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

Notes to the Accounts

- The inputs to the measurement techniques are categorised in accordance with the three levels as described in 1.5. Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.
- Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES.

The council does not hold any financial assets classified as 'fair value through profit and loss', for example financial derivatives.

1.25 Contingent Liabilities

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

1.26 Interests in Companies and Other Organisations

The council reviews annually the extent to which other entities (over which the council has a controlling interest) need to be consolidated into group accounts. The council has controlling interests in:

- The Barnet Group Ltd (which includes Your Choice Barnet Ltd, Barnet Homes Ltd, The Barnet Group Flex Ltd, Open door Ltd and Bumblebee Lettings).
- Barnet Holdings Ltd, Regional Enterprise Ltd.
- The Inglis Consortium.
- BX Holdings Ltd (which includes BXS GP Ltd and BXS Ltd Partnership).
- Hill Green Homes Ltd.

These entities have the nature of subsidiaries and/or joint ventures and the council is therefore required to prepare group accounts, unless the overall impact on the group accounts is not material.

All locally maintained schools (i.e. community, foundation, voluntary aided, voluntary controlled, community special and foundation special schools) are deemed to be under the council's control. For this reason, schools' transactions and balances attributable to the governing bodies are consolidated into the council's financial statements, applying accounting policies for recognition

Notes to the Accounts

and measurement consistent with those applied by the council to its own income, expenditure, cash flows, assets and liabilities. Transactions and balances between the council and the schools have been eliminated. Assets provided to a school without the right to continuing use, such that they can be taken back by the owners at some point, are not recognised in the council's financial statements.

Academy and free schools are independently managed. None of these schools' income and expenditure, assets, liabilities or reserves are included within the council's financial statements.

1.27 Events after the Reporting Period

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

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

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

1.28 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

1.29 Pooled Budgets

The council has eight pooled budgets in conjunction with Barnet Clinical Commissioning Group (CCG). The council's pooled budgets with Barnet CCG relate to community equipment, learning disabilities, preventative services, speech, language and occupational therapies, looked after children and the Better Care Fund. The authority recognises the income that it gains and expenditure that it incurs on the Comprehensive Income and Expenditure Statement. The Balance Sheet recognises any assets and liabilities resulting to the council from the pooled budget.

Notes to the Accounts

2. Accounting Standards Issued Not Yet Adopted

The Code requires that the authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following accounting standards have been issued but have not been adopted under the Code until 2018/19:

- IFRS 9 Financial Instruments: includes a single classification approach for financial assets driven by cashflow characteristics, a forward looking 'expected credit loss' model rather than 'incurred loss' model.
- IFRS 15 Revenue from Contracts with Customers: requires local authorities to recognise revenue in such a way that it represents the transfer of promised goods or services to the service recipient (customer) in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative: this change requires local authorities to provide disclosures that enable readers to evaluate changes in liabilities arising from financing activities.

These changes are not significant and are not expected to have a material effect on the council's Statement of Accounts.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The council is deemed to control the services provided under the agreement for street lighting and also to control the residual value of the assets at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the street lights are recognised as Property, Plant and Equipment on the council's Balance Sheet.

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

The financial statements contain estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to the Accounts

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	<p>If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £5.6m for every year that useful lives had to be reduced.</p> <p>Similarly, if the useful life of an asset is increased, depreciation reduces and the carrying amount of the asset increases. It is estimated that the annual depreciation charge for buildings would reduce by £3.1m for every year that useful lives were increased.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effect of the net pension liability due to changes in individual assumptions can be measured although the assumptions interact in complex ways. The impact of changes in assumptions is shown in note 35 Defined Benefit Pension Schemes.
Fair and current Value Measurement	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data (Level 2), but where this is not possible judgement is required in establishing fair values (Level 3). These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions made could affect the fair value of the council's assets and liabilities.</p> <p>Where level 1 inputs are not available, the council employs relevant experts to identify the</p>	<p>The council uses Level 2 observable inputs for valuing its investment properties and surplus assets. The inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.</p> <p>Significant changes in any of the observable inputs would result in significantly lower or higher fair values.</p>

Notes to the Accounts

	<p>most appropriate valuation techniques to determine fair value (for example for investment properties, the Principal Valuation Manager).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in notes 13, 14 and 15.</p>	
Provision for NDR Appeals	<p>The value of Non-Domestic Rates (NDR) income included in the accounts is reduced by a provision for the estimated value of appeals against valuation decisions. These estimates have been calculated using information from the Valuation Office Agency on outstanding appeals and experience of successful appeal rates.</p>	<p>Each 1% increase in the value of appeals that is provided for would give an additional cost of £1.138m.</p>
Impairment Allowance for Doubtful Debts	<p>The council had an outstanding balance of short-term debtors totalling £194.8m, against which an impairment allowance of £61.6m has been made. It is not certain that this impairment allowance would be sufficient as the council cannot assess with certainty which debts will be collected and which will not.</p>	<p>An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected.</p> <p>The council's policy for estimating the impairment allowance required is to firstly consider any specific debts which are regarded as being individually significant and then to assess the impairment allowance required for each category of debt based on the nature of the debt and service area, historical loss experience and current economic conditions.</p> <p>If collection rates were to deteriorate, the council would need to review its policies on the calculation of its impairment allowance for doubtful debts.</p>

Notes to the Accounts

5. 2016/17 re-statement

When preparing the Expenditure and Funding Analysis and the CIES, a number of classification errors were identified in 2016/17 whereby income was classified as expenditure and vice versa. 2016/17 was restated to reflect the correction of these classification errors. In addition, 2016/17 was restated to report the Registrar service within the Commissioning Group in line with the 2017/18 presentation rather than in Other in 2016/17. These changes are summarised in the table below and reflected in the restated 2016/17 CIES.

Comprehensive Income and Expenditure Statement	2016/17 Original						2016/17 Restated			
	Gross Expenditure	Gross Income	Net Expenditure	Correction to Reserve Movements Expenditure	Correction to Reserve Movements Income	Reclassification Between Services Expenditure	Reclassification Between Services Income	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults and Communities	125,239	(34,330)	90,909	(1,026)	1,026			124,213	(33,304)	90,909
Central Expenses*	4,384	(8,332)	(3,948)	13,978	(13,978)		19,652	18,362	(2,658)	15,704
Commissioning Group	294,040	(264,569)	29,471	11,414	(11,414)	102	(1,278)	305,556	(277,261)	28,295
Customer and Support Group	41,259	(6,836)	34,423	4,074	(4,074)			45,333	(10,910)	34,423
Education and Skills	310,410	(268,581)	41,829	(16,454)	16,454			293,956	(252,127)	41,829
Family Services	61,710	(4,359)	57,351	1,882	(1,882)			63,592	(6,241)	57,351
Housing Needs and Resources	29,702	(22,393)	7,309					29,702	(22,393)	7,309
Local Authority Housing (HRA)	30,183	(63,245)	(33,062)					30,183	(63,245)	(33,062)
Parking and Infrastructure	23,965	(24,398)	(433)	(7,045)	7,045			16,920	(17,353)	(433)
Public Health	18,656	(18,191)	465					18,656	(18,191)	465
Regional Enterprise	22,988	(23,030)	(42)	16,030	(16,030)		2,063	39,018	(36,997)	2,021
Street Scene*	40,776	(6,362)	34,414	264	(264)	(15,736)		25,304	(6,626)	18,678
Assurance	7,881	(3,288)	4,593			(102)	1,278	7,779	(2,010)	5,769
Cost of Services	1,011,193	(747,914)	263,279	23,117	(23,117)	(15,736)	21,715	1,018,574	(749,316)	269,257
Other Operating Expenditure	9,970		9,970					9,970		9,970
Financing and Investment Income and Expendi	27,435	(4,630)	22,805					27,435	(4,630)	22,805
Taxation and Non-Specific Grant Income		(299,896)	(299,896)				(5,979)		(305,875)	(305,875)
(Surplus) or Deficit on Provision of Service	1,048,598	(1,052,440)	(3,842)					1,055,979	(1,059,821)	(3,842)
Surplus on revaluation of non-current assets			(10,471)							(10,471)
Remeasurement of the net defined benefit liability			48,285							48,285
Other Comprehensive Income and Expenditure			37,814							37,814
Total Comprehensive Income and Expenditure			33,972							33,972

6. Events After the Balance Sheet Date

Since the Balance Sheet date of 31 March 2018 there have been no material events which would require an adjustment to the financial statements.

The accounts were authorised for issue by Mr Kevin Bartle – Director of Finance and Section 151 Officer on 17 July 2018.

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the council's annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's delivery units. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The note to the Expenditure and Funding Analysis shows the main adjustments to the Net Expenditure reported to the council's decision makers to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

- **Adjustments for Capital Purposes** – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for :

Other operating expenditure adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

For financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

- **Net Change for the Pensions Adjustments**- for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. For financing and investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

- **Other Differences** - Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

Notes to the Accounts

For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Expenditure and Funding Analysis	Net Expenditure Chargeable to General Fund and Housing Revenue Account Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
2017/18			
Adults and Communities	90,101	2,337	92,439
Central Expenses	40,438	(10,101)	30,338
Commissioning Group	24,083	8,647	32,730
Customer and Support Group	29,733	6,752	36,485
Education and Skills	9,044	30,979	40,023
Family Services	60,984	6,711	67,696
Housing Needs and Resources	7,774	2,711	10,484
Local Authority Housing (HRA)	(8,995)	(28,795)	(37,790)
Parking and Infrastructure	(6,685)	980	(5,706)
Public Health	(1,753)	-	(1,753)
Regional Enterprise	(1,743)	30,249	28,506
Street Scene	14,171	4,938	19,108
Assurance	6,803	394	7,197
Cost of Services	263,955	55,802	319,757
Other Income and Expenditure	(252,131)	(79,649)	(331,780)
(Surplus) or Deficit on Provision of Services	11,824	(23,847)	(12,023)

	2017/18 £'000
Opening General Fund, Schools, Earmarked and HRA Balance as at 1 April	(130,154)
Add deficit on the General Fund/HRA Balances	11,824
Closing General Fund, Schools, Earmarked and HRA Balance as at 31 March	(118,330)

Balance includes schools balances of £12.489m (£11.252m in 2016/17)

Notes to the Accounts

Expenditure and Funding Analysis	Net Expenditure Chargeable to General Fund and Housing Revenue Account Balances*	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement*
2016/17	£'000	£'000	£'000
Adults and Communities	90,997	(88)	90,909
Central Expenses	24,514	(8,810)	15,704
Commissioning Group	30,138	(1,843)	28,295
Customer and Support Group	28,836	5,587	34,423
Education and Skills	8,211	33,618	41,829
Family Services	57,176	175	57,351
Housing Needs and Resources	7,042	267	7,309
Local Authority Housing (HRA)	(6,876)	(26,186)	(33,062)
Parking and Infrastructure	184	(617)	(433)
Public Health	465	-	465
Regional Enterprise	10,670	(8,649)	2,021
Street Scene	17,064	1,614	18,678
Assurance	7,117	(1,348)	5,769
Cost of Services	275,536	(6,278)	269,258
Other Income and Expenditure	(260,691)	(12,409)	(273,100)
(Surplus) or Deficit on Provision of Services	14,845	(18,687)	(3,842)

*restated see note 5

	2016/17 £'000
Opening General Fund, Schools, Earmarked and HRA Balance as at 1 April	(144,999)
Add deficit on the General Fund/HRA Balances	14,845
Closing General Fund, Schools, Earmarked and HRA Balance as at 31 March	(130,154)

Notes to the Accounts

Note to the Expenditure and Funding Analysis – adjustments between funding and accounting basis

	Net Expenditure Chargeable to General Fund and Housing Revenue Account Balances	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Net Expenditure in the Comprehensive Income and Expenditure Statement
2017/18	£'000	£'000	£'000	£'000	£'000
Adults and Communities	90,101	211	2,126	-	92,439
Central Expenses	40,438	(10,099)	-	(2)	30,338
Commissioning Group	24,083	7,233	1,414	-	32,730
Customer and Support Group	29,733	6,752	-	-	36,485
Education and Skills	9,044	24,854	7,202	(1,077)	40,023
Family Services	60,984	3,428	3,283	-	67,696
Housing Needs and Resources	7,774	2,711	-	-	10,484
Local Authority Housing (HRA)	(8,995)	(28,793)	-	(2)	(37,790)
Parking and Infrastructure	(6,685)	710	270	-	(5,706)
Public Health	(1,753)	-	-	-	(1,753)
Regional Enterprise	(1,743)	30,249	-	-	28,506
Street Scene	14,171	2,663	2,275	-	19,108
Assurance	6,803	-	394	-	7,197
Cost of Services	263,955	39,919	16,964	(1,081)	319,757
Other Income and Expenditure	(252,131)	(98,704)	13,517	5,538	(331,780)
(Surplus) or Deficit on Provision of Services	11,824	(58,785)	30,481	4,457	(12,023)

Notes to the Accounts

	Net Expenditure Chargeable to General Fund and Housing Revenue Account Balances*	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Net Expenditure in the Comprehensive Income and Expenditure Statement*
2016/17	£'000	£'000	£'000	£'000	£'000
Adults and Communities	90,997	(123)	(38)	72	90,909
Central Expenses	24,514	(8,797)	-	(13)	15,704
Commissioning Group	30,138	(1,817)	(26)	-	28,295
Customer Support Group	28,836	5,587	-	-	34,423
Education and Skills	8,211	32,171	(138)	1,585	41,829
Family Services	57,176	243	(68)	-	57,351
Housing Needs and Resources	7,042	271	-	(3)	7,309
Local Authority Housing (HRA)	(6,876)	(26,186)	-	-	(33,062)
Parking and Infrastructure	184	(611)	(5)	-	(433)
Public Health	465	-	-	-	465
Regional Enterprise	10,670	(8,704)	-	55	2,021
Street Scene	17,064	1,656	(42)	-	18,678
Assurance	7,117	(1,341)	(7)	-	5,769
Cost of Services	275,536	(7,650)	(324)	1,696	269,258
Other Income and Expenditure	(260,691)	(22,426)	15,543	(5,526)	(273,100)
(Surplus) or Deficit on Provision of Services	14,845	(30,076)	15,219	(3,830)	(3,842)

*restated see note 5

Notes to the Accounts

Expenditure and Income analysed by nature

The authority's expenditure and income is analysed as follows:

	2017/18 £'000		2016/17* £'000
Expenditure		Expenditure	
Employee benefits expenses	280,857	Employee benefits expenses	272,707
Other services expenses	783,403	Other services expenses	738,214
Depreciation, amortisation and impairment	32,845	Depreciation, amortisation and impairment	23,196
Interest payments	13,883	Interest payments	11,892
Precepts and levies	1,179	Precepts and levies	1,430
Payments to Housing Capital Receipts Pool	124	Payments to Housing Capital Receipts Pool	2,659
Gain on the disposal of assets	2,232	Loss on the disposal of assets	5,881
Total expenditure	1,114,523	Total expenditure	1,055,979
 Income		 Income	
Fees, charges and other service income	(224,968)	Fees, charges and other service income	(225,378)
Interest and investment income	(624)	Interest and investment income	(648)
Income relating to investment properties	(29,850)	Income relating to investment properties	(3,723)
Gain on disposal of assets	(2,598)	Gain on disposal of assets	-
Income from council tax, non-domestic rates, district rate income	(194,613)	Income from council tax, non-domestic rates, district rate income	(191,533)
Government grants and contributions	(673,893)	Government grants and contributions	(638,539)
Total income	(1,126,546)	Total income	(1,059,821)
 Surplus on the Provision of Services	(12,023)	 Surplus on the Provision of Services	(3,842)

Notes to the Accounts

8. Adjustments between Accounting Basis and Funding Basis under Regulations

	General Fund Balance	School Earmarked Balance Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance as at 31 March 2017	9,614	11,252	96,799	12,489	35,488	18,075	73,883	257,600	464,479	722,079
Movement in reserves during 2017/18										
Surplus / (Deficit) on provision of services	(33,935)	1,237	-	44,721	-	-	12,023	-	12,023	
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	13,851	13,851	
Total Comprehensive Income and Expenditure	(33,935)	1,237	-	44,721	-	-	12,023	13,851	25,874	
Adjustments involving the Capital Adjustment Account:										
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:										
Charges for depreciation, impairment and revaluation losses	42,035	-	-	(7,008)	-	-	35,027	(35,027)	-	
Movements in the Market value of Investment Properties	(21,825)	-	-	(4,439)	-	-	(26,264)	26,264	-	
Amortisation of Intangible assets	873	-	-	-	-	-	873	(873)	-	
Capital Grants and contributions applied	(27,795)	-	-	(3,102)	-	-	(30,898)	30,898	-	
Movement in donated assets account	(1,065)	-	-	-	-	-	(1,065)	1,065	-	
Revenue Expenditure Funded From Capital Under Statute	43,983	-	-	1,587	-	-	45,570	(45,570)	-	
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-	-	
Statutory provision for the financing of capital investment	(10,929)	-	-	-	-	-	(10,929)	10,929	-	
Capital expenditure charged against the General Fund and HRA balances	(7,598)	-	-	-	-	-	(7,598)	7,598	-	
Adjustments involving the Capital Grants Unapplied Account:										
Capital Grants and Contributions unapplied credited to CIES	(40,235)	-	-	-	-	40,235	-	-	-	
Application of grants to capital financing transferred to the Capital Adjustment Account	352	-	-	-	-	(28,555)	(28,204)	28,204	-	
Adjustments involving the Capital Receipts Reserve:										
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	10,824	-	-	(5,858)	26,598	-	31,564	(31,564)	-	
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	(32,706)	-	(32,706)	32,706	-	
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	124	-	-	-	(124)	-	-	-	-	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(3)	-	-	-	81	-	78	(78)	-	
Adjustments involving the Deferred Capital Receipts Reserve:										
Deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(5,321)	-	-	(12)	-	-	(5,333)	5,333	-	
Adjustments involving the Major Repairs Reserve (MRR):										
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(23,372)	23,372	-	-	-	-	
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(29,258)	-	(29,258)	29,258	-	
Adjustments involving the Financial Instruments Adjustment Account:										
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(2)	-	-	(2)	-	-	(4)	4	-	
Adjustments involving the Pension Reserve:										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	53,688	-	-	-	-	-	53,688	(53,688)	-	
Employer's pension contributions and direct payments to pensioners payable in the year	(23,207)	-	-	-	-	-	(23,207)	23,207	-	
Adjustments involving the Collection Fund Adjustment Account:										
Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	5,540	-	-	-	-	-	5,540	(5,540)	-	
Adjustment involving the Accumulated Absences Account:										
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,077)	-	-	-	-	-	(1,077)	1,077	-	
Adjustments between accounting basis and funding basis under regulations	18,360	-	-	(42,207)	(6,151)	(5,886)	11,680	(24,204)	24,204	-
Net increase / (decrease) in year	(15,575)	1,237	-	2,514	(6,151)	(5,886)	11,680	(12,181)	38,055	25,874
Transfer to/(from) earmarked reserves	21,044	-	(21,044)	-	-	-	-	-	-	-
(Decrease) / Increase in Year	5,469	1,237	(21,044)	2,514	(6,151)	(5,886)	11,680	(12,181)	38,055	25,874
Balance as at 31 March 2018	15,083	12,489	75,755	15,003	29,337	12,189	85,563	245,419	502,534	747,953

Notes to the Accounts

Adjustments between Accounting Basis and Funding Basis under Regulations

	General Fund Balance	School Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2016	12,544	11,635	112,000	8,820	40,175	23,213	75,243	283,630	472,421	756,051
Movement in reserves during 2016/17										
(Deficit)/Surplus on provision of services	(25,502)	(383)	-	29,727	-	-	-	3,842	-	3,842
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(37,814)	(37,814)
Total Comprehensive Income and Expenditure	(25,502)	(383)	-	29,727	-	-	-	3,842	(37,814)	(33,972)
Adjustments involving the Capital Adjustment Account:										
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:										
Charges for depreciation, impairment and revaluation losses	24,098	-	-	(2,076)	-	-	-	22,022	(22,022)	-
Movements in the market value of Investment Properties	(409)	-	-	-	-	-	-	(409)	409	-
Amortisation of Intangible Assets	1,173	-	-	-	-	-	-	1,173	(1,173)	-
Capital Grants and Contributions applied	(14,802)	-	-	(2,416)	-	-	-	(17,218)	17,218	-
Revenue Expenditure Funded From Capital Under Statute	25,124	-	-	-	-	-	-	25,124	(25,124)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory provision for the financing of capital investment	(9,617)	-	-	-	-	-	-	(9,617)	9,617	-
Capital expenditure charged against the General Fund and HRA balances	(20,749)	-	-	-	-	-	-	(20,749)	20,749	-
Adjustments involving the Capital Grants Unapplied Account:										
Capital Grants and Contributions unapplied credited to CIES	(17,250)	-	-	-	-	-	17,250	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	(18,610)	(18,610)	18,610	-
Adjustments involving the Capital Receipts Reserve:										
Net gain/loss on the sale or de-recognition of non-current assets	5,750	-	-	131	18,892	-	-	24,773	(24,773)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	(21,004)	-	-	(21,004)	21,004	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,659	-	-	-	(2,659)	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	84	-	-	84	(84)	-
Adjustments involving the Major Repairs Reserve (MRR):										
Transfer to the MRR from the HRA including depreciation	-	-	-	(21,693)	-	21,693	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	(26,831)	-	(26,831)	26,831	-
Adjustments involving the Financial Instruments Adjustment Account:										
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(2)	-	-	(4)	-	-	-	(6)	6	-
Adjustments involving the Pension Reserve:										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	37,864	-	-	-	-	-	-	37,864	(37,864)	-
Employer's pension contributions and direct payments to pensioners payable in the year	(22,645)	-	-	-	-	-	-	(22,645)	22,645	-
Adjustments involving the Collection Fund Adjustment Account:										
Amount by which council tax and NNDR income credited to the CIES differ from council tax and NNDR income calculated for the year in accordance with statutory requirements	(5,520)	-	-	-	-	-	-	(5,520)	5,520	-
Adjustment involving the Accumulated Absences Account:										
Amount by which officer remuneration charged to the CIES on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	1,697	-	-	-	-	-	-	1,697	(1,697)	-
Adjustments between accounting basis and funding basis under regulations	7,371	-	-	(26,058)	(4,687)	(5,138)	(1,360)	(29,872)	29,872	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(18,131)	(383)	-	3,669	(4,687)	(5,138)	(1,360)	(26,030)	(7,942)	(33,972)
Transfer to/(from) earmarked reserves	15,201	-	(15,201)	-	-	-	-	-	-	-
(Decrease) / Increase in Year	(2,930)	(383)	(15,201)	3,669	(4,687)	(5,138)	(1,360)	(26,030)	(7,942)	(33,972)
Balance as at 31 March 2017	9,614	11,252	96,799	12,489	35,488	18,075	73,883	257,600	464,479	722,079

Notes to the Accounts

9. Transfers to / from Earmarked Reserves

Earmarked reserves are amounts of money set aside to cover expenditure in future years on specified projects or major initiatives that would not be able to proceed unless money had previously been set aside.

The movement on the council's earmarked reserves during the year is shown below:

	Reserve b/fwd at 31 March 2016 £'000	In year Expenditure £'000	Reserve move- ments £'000	New Reserves Raised £'000	Reserve c/fwd at 31 March 2017 £'000	In year Expenditure £'000	Reserve move- ments £'000	New Reserves Raised £'000	Reserve c/fwd at 31 March 2018 £'000
Central - Capital Financing (i)	3,190	(1,616)	-	-	1,574	-	(2,513)	939	-
Central - Infrastructure (ii)	35,458	(19,463)	-	20,578	36,573	(17,472)	(3,086)	25,874	41,889
Central - Risk	9,332	(6,212)	(3,120)	-	-	-	-	-	-
Central - Balancing the MTFS (iii)	-	(157)	15,582	-	15,425	-	(5,419)	1,039	11,045
Central - Service Development (iv)	10,582	(10,154)	(1,483)	7,363	6,308	(1,554)	(2,697)	556	2,613
Central - Council tax and NNDR smoothing (v)	-	-	-	-	-	-	-	2,482	2,482
Central - Transformation (vi)	12,653	(6,280)	381	-	6,754	(3,322)	-	-	3,432
Service - Housing Benefits (vii)	8,036	(648)	(6,597)	1,109	1,900	(100)	(500)	2,242	3,542
Service - Public Health(viii)	1,336	(812)	17	1,816	2,358	(1,721)	-	1,754	2,391
Service - Other (ix)	29,499	(4,797)	(4,780)	4,148	24,070	(12,091)	(6,808)	1,040	6,211
Sub Total General Fund Earmarked Reserves	110,086	(50,138)	-	35,014	94,962	(36,260)	(21,023)	35,926	73,605
Special Parking Account (SPA)	1,914	(1,986)	-	1,909	1,837	(864)	-	1,177	2,150
Total Earmarked Reserves	112,000	(52,124)	-	36,923	96,799	(37,124)	(21,023)	37,103	75,755

- i) Capital financing - receipts not yet applied to capital expenditure to enable the effective management of the medium term financial strategy
- ii) Infrastructure - the new homes bonus and CIL is set aside in this reserve to fund the cost of infrastructure in Barnet
- iii) Balancing the MTFS – to fund future pressures
- iv) Service development - to fund new commissions and service transformation proposals.
- v) Council tax and NNDR smoothing reserve, to provide a means to manage increases and decreases in income from council tax and business rates in future years.
- vi) Transformation – to fund the transformation programme to change, protect and improve council services
- vii) Housing Benefits - Changes in benefit subsidy – to cover anticipated costs in respect of Department for Work and Pensions enforced changes to benefits administration.
- viii) Public Health to cover future Public Health expenditure
- ix) Other - Including: Dedicated Schools Grant (DSG) – balances in respect of delegated schools' budgets (£0.5m), troubled families (£1.078m) and the local election reserve (£0.9m)

In-year expenditure, reserve movement and new reserves raised total £21.044m (2016/17: £15.201m), which is shown in the Movement in Reserves Statement as transfers to and from earmarked reserves. This movement reflects contributions to earmarked reserves and the use of reserves to fund revenue and capital expenditure.

Notes to the Accounts

10. Other Operating Expenditure

	2017/18 £'000	2016/17 £'000
Precepts and levies	1,179	1,430
Contribution to government housing pool	124	2,659
(Gain) / loss on disposal *	(2,598)	5,881
Total	(1,295)	9,970

*Within the gain on disposal there is a £3.897m loss relating to one school that has transferred to academy status in 2017/18 (in 2016/17 one school transferred: £5.656m).

11. Financing and Investment Income and Expenditure

	2017/18 £'000	2016/17 £'000
Interest payable and similar charges	13,883	11,892
Net Interest on the Net Defined Benefit Liability	13,517	15,543
Interest receivable and similar income	(624)	(648)
Income and expenditure in relation to investment properties and changes in their fair value	(29,850)	(3,723)
(Gain) or Loss on disposal of investment properties	2,232	-
Trading operations	347	(259)
Total	(495)	22,805

12. Taxation and Non-Specific Grant Income

	2017/18 £'000	2016/17 £'000
Council tax income	(162,160)	(159,184)
Non- domestic rates income and expenditure	(32,453)	(32,349)
Non-specific grants (see note 28)	(63,179)	(79,874)
Donated asset	(1,065)	-
Capital grants and contributions	(71,133)	(34,468)
Total	(329,990)	(305,875)

*re-presented/restated

13. Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets

The Principal Valuation Manager, Robert Braham, who is employed by Cpita as part of the CSG Estates service values the council's freehold property portfolio in accordance with the statements of asset valuation practice and the guidance notes of the Royal Institute of Chartered Surveyors (RICS). The valuation basis for each of the asset categories included in the council's Balance Sheet is detailed in the accounting policies.

Notes to the Accounts

The valuation date for council dwellings was 31 March 2018. Where applicable the valuation date for all other assets due for revaluation in the year was 1 April 2017. This date was used as directed by the valuer, to allow sufficient time to collect and assess valuation information.

Council dwellings, schools, libraries, shops and the ten highest value assets are valued annually. The remaining assets in other land and buildings and investment properties are valued on a five year cycle. The assets valued annually represent 90% of the assets that can be valued.

Consideration has been given by the Principal Valuation Manager as to whether there have been any significant changes in the market, statutory or regulatory environments during the accounting period which could have affected the above valuations with the conclusion that there has not been any such change.

At 31 March 2018, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years, budgeted to cost £91.450m (£55.625m in 2017/18). This is broken down in the table below

Capital Project

	Commitment £'000
Sport and Physical Activities	33,020
Blessed Dominic/St James School	20,706
Office Build	9,568
Thameslink Station	5,235
Moreton Close	5,000
St Mary's & St John's School	4,848
HRA Fire Safety Programme	4,000
Youth Zone	3,999
Community Centre - Tarling Road	2,728
Depot Relocation	1,200
Customer Services Transformation Programme	1,146
TOTAL	91,450

All surplus assets are valued using level 2 observable inputs. In estimating the fair value of the council's surplus assets, the highest and best use of the properties has been applied. There has been no change in the valuation techniques used during the year for surplus assets.

Notes to the Accounts

Property, Plant & Equipment, Heritage Assets Investment Properties and Intangible Assets 2017/18

	Property, Plant and Equipment (PPE)								Total PPE £'000	Heritage Assets £'000	Investment Properties £'000	Intangible Assets £'000	Total Assets £'000
	Council House Dwellings £'000	Other Land and Buildings £'000	Schools £'000	Vehicles Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus assets £'000	Assets under Construction £'000					
Cost or Valuation of Assets at 1 April 2017	713,566	162,305	226,843	56,416	152,757	355	34,698	54,300	1,401,240	1,567	123,416	13,220	1,539,443
Reclassifications	-	(956)	-	-	-	-	-	(7,514)	(8,470)	-	956	-	(7,514)
Additions from Assets under Construction	28,035	21,757	4,583	-	10,822	-	-	(70,355)	(5,158)	-	2	5,156	-
Additions	6,703	10,921	-	1,559	402	-	4,680	96,757	121,022	-	-	2,233	123,255
Revaluation increases recognised in the Revaluation Reserve	129	5,620	2,768	-	-	-	6,605	-	15,122	16	-	-	15,138
Revaluation decreases recognised in the Revaluation Reserve	(23,585)	(9,946)	(23,782)	-	-	-	(4,158)	-	(61,471)	-	-	-	(61,471)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	30,431	1,111	2,199	-	-	-	-	-	33,741	-	33,500	-	67,241
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(17,840)	(10,038)	-	-	-	(49)	-	(27,927)	-	(7,375)	-	(35,302)
Derecognition - Disposals	(2,558)	(614)	(4,207)	-	-	-	-	(2,902)	(10,281)	-	(21,687)	-	(31,968)
Derecognition - Other	-	-	-	(4,657)	(58)	-	-	(5,356)	(10,071)	-	-	(127)	(10,198)
Gross Value of Assets at 31 March 2018	752,721	172,358	198,366	53,318	163,923	355	41,776	64,930	1,447,747	1,583	128,812	20,482	1,598,624
Accumulated Depreciation at 1 April 2017	-	(10,551)	(7,768)	(39,724)	(46,174)	-	(85)	-	(104,302)	-	(45)	(7,743)	(112,090)
Reclassifications	-	92	-	-	-	-	-	-	92	-	(92)	-	-
Writeback of depreciation on revaluation recognised in the Surplus/Deficit on the Provision of Service	-	1,886	2,142	-	-	-	-	-	4,028	-	137	-	4,165
Writeback of depreciation on revaluation recognised in the Revaluation Reserve	22,867	3,897	5,444	-	-	-	-	-	32,208	-	-	-	32,208
Derecognition - Disposals	-	42	364	-	-	-	-	-	406	-	-	-	406
Derecognition - Other	-	-	-	4,657	58	-	-	-	4,715	-	-	127	4,842
Depreciation charge	(22,867)	(4,345)	(6,999)	(2,519)	(8,123)	-	(16)	-	(44,869)	-	-	(873)	(45,742)
Accumulated Depreciation 31 March 2018	-	(8,979)	(6,817)	(37,586)	(54,239)	-	(101)	-	(107,722)	-	-	(8,489)	(116,211)
Net Book Value of Asset at 31 March 2017	713,566	151,754	219,075	16,692	106,583	355	34,613	54,300	1,296,938	1,567	123,371	5,477	1,427,353
Net Book Value of Asset at 31 March 2018	752,721	163,379	191,549	15,732	109,684	355	41,675	64,930	1,340,025	1,583	128,812	11,993	1,482,413

Notes to the Accounts

Property Plant & Equipment, Heritage Assets, Investment Properties and Intangible Assets 2016/17

	Property, Plant and Equipment (PPE)								Total PPE £'000	Heritage Assets £'000	Investment Properties £'000	Intangible Assets £'000	Total Assets £'000
	Council Dwellings £'000	Other Land and Buildings £'000	Schools £'000	Vehicles Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000					
Cost or Valuation of Assets at 1 April 2016	685,946	160,221	238,070	61,195	194,271	340	24,915	26,061	1,391,019	1,567	117,126	13,220	1,522,932
Reclassifications	330	(3,472)	(149)	-	-	-	730	-	(2,561)	-	2,561	-	-
Additions from Assets under Construction	34,061	8,880	8,646	1,577	19,090	-	-	(83,948)	(11,694)	-	11,694	-	-
Revaluation increases recognised in the Revaluation Reserve	-	-	-	-	443	-	-	112,187	112,630	-	-	-	112,630
Revaluation decreases recognised in the Revaluation Reserve	1,284	9,431	3,059	-	-	-	4,880	-	18,654	-	-	-	18,654
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	(224)	(5,367)	(15,092)	-	-	-	-	-	(20,683)	-	-	-	(20,683)
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	4,014	2,633	3,316	-	-	15	4,173	-	14,151	-	9,214	-	23,365
Derecognition - Disposals	-	(8,597)	(4,732)	-	-	-	-	-	(13,329)	-	(10,013)	-	(23,342)
Derecognition - Other	(11,845)	-	(6,275)	-	-	-	-	-	(18,120)	-	(7,166)	-	(25,286)
Other	-	(1,424)	-	(6,356)	(61,047)	-	-	-	(68,827)	-	-	-	(68,827)
Gross Value of Assets at 31 March 2017	713,566	162,305	226,843	56,416	152,757	355	34,698	54,300	1,401,240	1,567	123,416	13,220	1,539,443
Accumulated Depreciation at 1 April 2016													
Reclassifications	-	(14,154)	(8,212)	(43,107)	(99,700)	-	(113)	-	(165,286)	-	(2)	(6,570)	(171,858)
Write back of depreciation on revaluation recognised in the Surplus/Deficit on the Provision of Services	(28)	1,534	-	-	-	-	(256)	-	1,250	-	(1,250)	-	-
Write back of depreciation on revaluation recognised in the Revaluation Reserve	21,643	406	1,069	-	-	-	-	-	23,118	-	1,207	-	24,325
Derecognition - Disposals	447	4,904	6,849	-	-	-	300	-	12,500	-	-	-	12,500
Derecognition - Other	-	-	513	-	-	-	-	-	513	-	-	-	513
Depreciation charge	-	1,424	-	6,356	61,047	-	-	-	68,827	-	-	-	68,827
Accumulated Depreciation 31 March 2017	(22,062)	(4,665)	(7,987)	(2,973)	(7,521)	-	(16)	-	(45,224)	-	-	(1,173)	(46,397)
Accumulated Depreciation 31 March 2017	-	(10,551)	(7,768)	(39,724)	(46,174)	-	(85)	-	(104,302)	-	(45)	(7,743)	(112,090)
Net Book Value of Assets 31 March 2016	685,946	146,067	229,858	18,088	94,571	340	24,802	26,061	1,225,733	1,567	117,124	6,650	1,351,074
Net Book Value of Assets 31 March 2017	713,566	151,754	219,075	16,692	106,583	355	34,613	54,300	1,296,938	1,567	123,371	5,477	1,427,353

Notes to the Accounts

14. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

Investment Properties	2017/18	2016/17
	£'000	£'000
Rental income from investment property	(3,586)	(3,315)
Direct operating expenses arising from investment property	-	-
Net gain	<u>(3,586)</u>	<u>(3,315)</u>

Movements in the fair value of investment properties are detailed in Note 13 (Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets).

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

All investment properties are valued using level 2 observable inputs

Highest and Best Use of Investment Properties

The highest and best use of the properties is used in estimating the fair value of the council's investment properties.

Valuation Techniques

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

Valuation techniques used to measure the fair value for Investment properties involve using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Notes to the Accounts

15. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term 31 March 2018 £'000	Long Term 31 March 2017 £'000	Current 31 March 2018 £'000	Current 31 March 2017 £'000
Investments				
Loans and receivables	5,000	5,011	33,030	52,167
Available for sale financial assets				10,000
Total Investments	5,000	5,011	33,030	62,167
Debtors				
Loans and receivables	9,822	1,212	117,487	121,386
Total included in Debtors	9,822	1,212	117,487	121,386
Cash and cash equivalents	-	-	69,755	38,615
Total cash and cash equivalents	-	-	69,755	38,615
Borrowing				
Financial liabilities at amortised cost	304,614	304,699	1,461	1,434
Total included in Borrowing	304,614	304,699	1,461	1,434
Other Long-term Liabilities				
PFI and finance lease liabilities carried at amortised cost	15,490	15,974	484	428
total Other Long-term Liabilities	15,490	15,974	484	428
Creditors				
Financial liabilities carried at amortised cost	-	-	86,994	72,670
Total Creditors	-	-	86,994	72,670

No material soft loans existed at either date.

Income, Expenses, Gains and Losses:

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

Notes to the Accounts

	2017/18				2016/17			
	Financial Liabilities measured at amortised cost £'000	Financial Assets: loans and receivables £'000	Financial Assets: available for sale £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: loans and receivables £'000	Financial Assets: available for sale £'000	Total £'000
Interest expense	(13,883)	-	-	(13,883)	(11,892)	-	-	(11,892)
Total expense in Surplus or Deficit on the Provision of Services	(13,883)	-	-	(13,883)	(11,892)	-	-	(11,892)
Interest income	-	260	364	624	-	636	256	892
Total income in Surplus or Deficit on the Provision of Services	-	260	364	624	-	636	256	892
Net (Loss)/Gain for the Year	(13,883)	260	364	(13,259)	(11,892)	636	256	(11,000)

Fair Values of Financial Instruments

For each class of financial asset and financial liability, the Council is required to disclose the fair value of that class of asset and liability in such a way that a comparison with the carrying amount is possible.

The Council's long-term loans are carried in the Balance Sheet at amortised cost. Investments consist of loans and receivables which are carried in the Balance Sheet at amortised cost and available for sale assets which are held at fair value.

The portion of debt and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short-term liabilities or short-term investments. This includes accrued interest for long-term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The fair values of these assets and liabilities are disclosed for comparison purposes.

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

The valuation basis adopted for assets carried at fair value uses Level 2 inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability. These have been independently measured and provided by the Council's treasury advisor, Link Asset Services. There has been no change in the valuation method used during the year for financial instruments.

The following valuation basis has been used:

Notes to the Accounts

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

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

The rates quoted in this valuation were obtained by Link Asset Services from the market on 31 March 2018, using bid prices where applicable.

The fair value of a financial instrument on initial recognition is generally the transaction price. The council's debt outstanding at 31 March 2017 and 31 March 2018 consisted of loans from PWLB and market loans. The authority has a continuing ability to borrow at concessionary rates from the PWLB. A supplementary measure of the additional interest that the council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £242.686 million would be valued at £291.17 million, as recognised in the table below. But, if the council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that would not now be paid. The exit price for the PWLB loans including the penalty charge would be £332.82 million. The council also has market loan of £62.389 million as at 31 March 2018. Using a similar methodology as PWLB loans the fair values are £92.26 million using new borrowing rates (the basis used in the table below) or £121.87 million based on premature repayment. As the council does not intend to repay debt prior to maturity, it will not incur penalty costs associated with premature repayment.

The council's investment portfolio at the Balance Sheet date consisted almost entirely of term deposits with banks and building societies, call/notice account deposits and Money Market Fund (MMF) investments. In the case of short-term instruments the Council deems the carrying amount to be a reasonable approximation of the fair value.

Financial Liabilities

	31 March 2018		31 March 2017	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Borrowing held at amortised cost	306,075	383,435	306,133	388,263
PFI lease liabilities	15,974	31,042	16,401	16,401
Trade creditors	86,994	86,994	72,670	72,670
	409,044	501,471	395,204	477,334

Notes to the Accounts

Financial Assets

	31 March 2018		31 March 2017	
	Carrying amount	Fair value	Carrying amount*	Fair value
	£'000	£'000	£'000	£'000
Long term debtors	9,822	9,822	1,212	1,212
Long term investments	5,000	5,000	5,011	5,011
Cash and cash equivalents	69,755	69,755	38,615	38,615
Short term investments	33,030	33,030	62,167	62,167
Trade debtors	117,487	117,487	121,386	121,386
	235,094	235,094	228,391	228,391

*restated for trade debtors
misclassified in 2016/17

The fair values of financial assets are identical to the carrying values as the maturities are mainly short-term and interest rates are low.

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

16. Debtors

	31 March 2018	31 March 2017
	£'000	£'000
Central Government Bodies	16,725	27,178
Other Local Authorities	7,911	15,732
Public Corporations and Trading Funds	-	666
NHS bodies	10,550	8,401
Other Entities and Individuals	159,617	158,329
	194,803	210,306
Less: provision for bad and doubtful debts	(61,646)	(32,256)
Total	133,157	178,050

The increase in the provision for bad and doubtful debts in 2017/18 is due primarily to housing benefit overpayments being recovered from ongoing benefit (£22m). Neither the debtor nor the provision for bad and doubtful debts were included in the 2016/17 accounts. The 2017/18 provision also includes £3.5m for an investment which is to be written off.

Notes to the Accounts

17. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2018 £'000	31 March 2017 £'000
Bank current accounts	7,248	20,415
Short-term deposits - call accounts	15,401	4,500
Short-term deposits - money market funds	47,106	13,700
Total	69,755	38,615

18. Creditors

	31 March 2018 £'000	31 March 2017* £'000
Central Government Bodies	6,548	15,630
Other Local Authorities	8,851	14,482
NHS bodies	3,164	237
Other Entities and Individuals	91,906	90,877
Total	110,469	121,225

*realigned following review

19. Provisions

		As at 1 April 2016 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 31 March 2017 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 31 March 2018 £'000
Housing and Property		117	(117)	-	-	-	-	-	-	-
Insurance	i)	8,850	-	-	-	8,850	(2,224)	-	3,630	10,256
Legal	ii)	84	(24)	(50)	-	10	-	(10)	-	-
Service Related Provision	iii)	644	(300)	-	2,313	2,657	(385)	-	1,606	3,878
Redundancy Costs		120	(24)	-	-	96	-	-	-	96
Business Rates Appeals	iv)	3,082	-	(527)	502	3,057	(20)	(666)	1,574	3,945
Total		12,897	(465)	(577)	2,815	14,670	(2,629)	(676)	6,810	18,175
						Short Term			Short Term	10,219
						Long term			Long term	7,956

- i) Insurance - Provision is for liabilities that have occurred but where the timing of the payment is dependent upon the claim settlement process.
- ii) Legal - This provision is to cover the potential liability of on-going legal cases.
- iii) Service Related Provision – The majority of items relate to residential care ordinary residence cases.
- iv) Business Rates Appeals - Provision is to cover the council's share of the settlement of previous and potential appeals by rate payers.

Notes to the Accounts

Insurance Provision

- The Insurance provision covers all historic legal liability claims including personal accident, risk to employees whilst carrying out their duties, public and other liability claims, the losses from the inability of contractors to fulfil obligations, fire and all other past claims under the policy excess which have not been settled to date.
- The council's insurance provision is based on an assessment as at 31 March 2018 of the potential financial impact of outstanding insurance claims, by independent actuaries, HJC Actuarial Consulting Limited; in line with national actuarial guidelines.
- The council's insurance provision includes £0.831m (£0.859m for 2016/17) in relation to Municipal Mutual Insurance. In January 1994, the council's then insurer, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement with its creditors. Under the Scheme, claims are initially paid out in full, but if the eventual wind up of the company results in insufficient assets to meet liabilities, a clawback clause will be triggered, which could affect claims already paid. As at September 2017, the council's qualifying gross claims paid under the scheme are £1.438m, with £0.149m of claims outstanding. The council has been advised by the actuary that an ultimate levy of 75% would be a fair assumption at this time. Accordingly for the council's MMI exposure a provision of 50% has been made (75% as directed by the actuary less 25% levy already paid) plus 75% of outstanding claims.

Business Rate Appeals

- The total business rates appeals provision is based on the success rate of settled appeals and withdrawn appeals for income generated up to 31 March 2018. The provision in the table above is the council's share of the total appeals provision.

Notes to the Accounts

20. Unusable Reserves

Movements in the council's unusable reserves are detailed below:

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulating Absences Adjustment Account	Deferred Capital Receipts	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2017	162,513	828,851	(538)	12,412	(532,641)	(6,510)	392	464,479	722,079
Movement in reserves during 2017/18									
Surplus / (Deficit) on provision of services	-	-	-	-	-	-	-	-	12,023
Other Comprehensive Income and Expenditure	(14,125)	-	-	-	27,976	-	-	13,851	13,851
Total Comprehensive Income and Expenditure	(14,125)	-	-	-	27,976	-	-	13,851	25,874
Adjustments involving the Capital Adjustment Account:									
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:									
Charges for depreciation, impairment and revaluation losses	(3,998)	(31,029)	-	-	-	-	-	(35,027)	-
Movements in the Market value of Investment Properties	-	26,264	-	-	-	-	-	26,264	-
Amortisation of Intangible assets	-	(873)	-	-	-	-	-	(873)	-
Capital Grants and contributions applied	-	30,898	-	-	-	-	-	30,898	-
Movement in donated assets account	-	1,065	-	-	-	-	-	1,065	-
Revenue Expenditure Funded From Capital Under Statute	-	(45,570)	-	-	-	-	-	(45,570)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement									
Statutory provision for the financing of capital investment	-	10,929	-	-	-	-	-	10,929	-
Capital expenditure charged against the General Fund and HRA balances	-	7,598	-	-	-	-	-	7,598	-
Adjustments involving the Capital Grants Unapplied Account:									
Application of grants to capital financing transferred to the Capital Adjustment Account	-	28,204	-	-	-	-	-	28,204	-
Adjustments involving the Capital Receipts Reserve:									
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(104)	(31,461)	-	-	-	-	-	(31,564)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	32,706	-	-	-	-	-	32,706	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	(78)	(78)	-
Adjustments involving the Deferred Capital Receipts Reserve:									
Deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	5,333	5,333	-
Adjustments involving the Major Repairs Reserve (MRR):									
Use of the Major Repairs Reserve to finance new capital expenditure	-	29,258	-	-	-	-	-	29,258	-
Adjustments involving the Financial Instruments Adjustment Account:									
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	4	-	-	-	-	4	-
Adjustments involving the Pension Reserve:									
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	(53,688)	-	-	(53,688)	-
Employer's pension contributions and direct payments to pensioners payable in the year	-	-	-	-	23,207	-	-	23,207	-
Adjustments involving the Collection Fund Adjustment Account:									
Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	-	-	-	(5,540)	-	-	-	(5,540)	-
Adjustment involving the Accumulated Absences Account:									
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-	1,077	-	1,077	-
Adjustments between accounting basis and funding basis under regulations	(4,101)	57,991	4	(5,540)	(30,481)	1,077	5,255	24,204	-
Net increase / (decrease) in year	(18,226)	57,991	4	(5,540)	(2,505)	1,077	5,255	38,055	25,874
Balance as at 31 March 2018	144,287	886,842	(534)	6,872	(535,146)	(5,433)	5,647	502,534	747,953

Notes to the Accounts

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulating Absences Adjustment Account	Deferred Capital Receipts	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2016	160,775	779,202	(544)	6,892	(469,137)	(4,813)	46	472,421	756,051
Movement in reserves during 2016/17									
Surplus on provision of services	-	-	-	-	-	-	-	-	3,842
Other Comprehensive Income	10,471	-	-	-	(48,285)	-	-	(37,814)	(37,814)
Total Comprehensive Income and Expenditure	10,471	-	-	-	(48,285)	-	-	(37,814)	(33,972)
Adjustments involving the Capital Adjustment Account:									
Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:									
Charges for depreciation, impairment and revaluation losses	(4,859)	(17,163)	-	-	-	-	-	(22,022)	-
Movements in the Market value of Investment Properties	-	409	-	-	-	-	-	409	-
Amortisation of Intangible assets	-	(1,173)	-	-	-	-	-	(1,173)	-
Capital Grants and contributions applied	-	17,218	-	-	-	-	-	17,218	-
Revenue Expenditure Funded From Capital Under Statute	-	(25,124)	-	-	-	-	-	(25,124)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:									
Statutory provision for the financing of capital investment	-	9,617	-	-	-	-	-	9,617	-
Capital expenditure charged against the General Fund and HRA balances	-	20,749	-	-	-	-	-	20,749	-
Adjustments involving the Capital Grants Unapplied Account:									
Application of grants to capital financing transferred to the Capital Adjustment Account	-	18,610	-	-	-	-	-	18,610	-
Adjustments involving the Capital Receipts Reserve:									
Net gain/loss on the sale or de-recognition of non-current assets	(3,874)	(20,899)	-	-	-	-	-	(24,773)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	21,004	-	-	-	-	-	21,004	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(430)	-	-	-	-	346	(84)	-
Adjustments involving the Major Repairs Reserve:									
Use of the Major Repairs reserve to finance new capital expenditure	-	26,831	-	-	-	-	-	26,831	-
Adjustments involving the Financial Instruments Adjustment Account:									
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	6	-	-	-	-	6	-
Adjustments involving the Pension Reserve:									
Reversal of items relating to retirement benefits debited or credited to the comprehensive Income and Expenditure Statement	-	-	-	-	(37,864)	-	-	(37,864)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	-	-	-	-	22,645	-	-	22,645	-
Adjustments involving the Collection Fund Adjustment Account:									
Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	-	-	-	5,520	-	-	-	5,520	-
Adjustment involving the Accumulated Absences Account:									
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-	(1,697)	-	(1,697)	-
Adjustment between the Capital Adjustment Account and the Revaluation Reserve:	(8,733)	49,649	6	5,520	(15,219)	(1,697)	346	29,872	-
Net increase / (decrease) in year	1,738	49,649	6	5,520	(63,504)	(1,697)	346	(7,942)	(33,972)
Balance as at 31 March 2017	162,513	828,851	(538)	12,412	(532,641)	(6,510)	392	464,479	722,079

Notes to the Accounts

Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment and Heritage Assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as financing for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the accounts, apart from those involving the Revaluation Reserve.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in the Comprehensive Income and Expenditure Statement. This will include the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Notes to the Accounts

21. Operating Activities

Operating activities within the cash flow statement include the following cash flows relating to interest	2017/18		2016/17	
	£'000	£'000	£'000	£'000
Interest received	631		552	
Interest paid	(13,569)		(11,892)	
Net Interest		(12,938)		(11,340)

Net Cash Flows from Operating Activities	2017/18		2016/17	
	£'000	£'000	£'000	£'000
Adjust net Surplus on the Provision of Services for non-cash movements				
Depreciation	44,940		45,224	
Impairment and downward valuations	(4,557)		(24,348)	
Amortisation	873		1,173	
Increase/decrease in Creditors	(10,814)		23,929	
Increase/decrease in Debtors	45,210		(54,072)	
Increase/decrease in Inventories	183		294	
Increase in Pension Liability	30,481		15,043	
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	31,564		24,773	
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(23,896)		2,204	
		113,984		34,220
Adjust for items included in the net Surplus on the Provision of Services that are investing or financing activities				
Proceeds from short-term and long-term investments	-		358	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(31,934)		(19,323)	
Any other item of which the cash effects are investing or financing cashflow *	(70,780)		(34,839)	
		(102,714)		(53,804)
Net Cash Flows from Operating Activities		11,270		(19,584)
* capital grants				

Notes to the Accounts

22. Investing Activities

Cash Flows from Investing Activities	2017/18		2016/17	
	£'000	£'000	£'000	£'000
Property, Plant and Equipment, intangible and investment properties purchased	(114,682)		(117,603)	
Purchase of short term and long term investments	(33,000)		(57,147)	
Other payments for Investing Activities	(3,935)		(466)	
Proceeds from the sale of Property, Plant & Equipment and Investment Property	26,679		19,375	
Proceeds from short term and long term investments	62,137		129,002	
Other Receipts from Investing Activities *	71,132		34,843	
Total Cash Flows from Investing Activities		8,331		8,004

* capital grants

23. Pooled Budgets

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

The arrangements are for the provision of the following:

- community equipment services
- learning disability services
- to support people with learning disabilities who have been living in long stay NHS accommodation to be re-settled to live within the local community
- to develop an approach to commissioning preventative services
- to reduce duplication, maximise outcomes and improve health and social care outcomes for service users of speech and language therapy, occupational therapy and looked after children.
- Agreements in respect of the Better Care Fund.

From 1 April 2015 the council entered into an aligned budget arrangement with the CCG for the Better Care Fund, identifying spend and jointly reporting on income and expenditure. The fund is used for continued delivery of services in the Better Care Fund plan under the existing integrated health and social care section 75 agreement.

Where funding and expenditure are not shown separately in the following tables it is because all funding has been expensed.

Notes to the Accounts

	2017/18 £'000	2016/17 £'000
Funding provided to the pooled budget		
London Borough of Barnet	20,156	15,139
Barnet Clinical Commissioning Group	20,199	20,410
	40,355	35,549
Expenditure met from the pooled budget		
London Borough of Barnet	(20,446)	(15,184)
Barnet Clinical Commissioning Group	(20,912)	(20,867)
	(41,358)	(36,051)
Net deficit arising on the pooled budget during the year	(1,003)	(502)
Council share of deficit arising on the pooled budget	18	27

Section 75 agreement in respect of Better Care Funding

	2017/18			2016/17		
	Barnet £'000	Barnet CCG £'000	Total £'000	Barnet £'000	Barnet CCG £'000	Total £'000
Carers Support	1,986	-	1,986	1,952	-	1,952
Integrated Care	1,063	-	1,063	1,044	-	1,044
Personalised Support	1,304	-	1,304	1,281	-	1,281
Reablement	241	-	241	237	-	237
Social Care	3,344	-	3,344	3,157	-	3,157
Disabled Facilities Grant	2,164	-	2,164	1,970	-	1,970
Improved Better Care Fund	5,373	-	5,373	-	-	-
Frail Elderly	-	99	99	-	196	196
Community Services	-	11,096	11,096	-	10,728	10,728
Enablement	-	70	70	-	97	97
Hospice Contracts	-	1,370	1,370	-	1,239	1,239
Memory Assessment	-	219	219	-	215	215
Additional Enablement	-	848	848	-	845	845
	15,475	13,702	29,177	9,641	13,320	22,961

Notes to the Accounts

24. Members' Allowances

	2017/18 £'000	2016/17 £'000
Member Allowances	1,105	1,106
Member Expenses	-	1
	1,105	1,107

25. Officers' Remuneration

Senior Officers

Senior officers are defined as all those whose remuneration (including employer's pension contributions) is £150,000 or above, the following statutory posts: Head of Paid Service, Director of Children's Services, Director of Adult Social Services, Chief Education Officer, Monitoring Officer and Section 151 Officer, and any officer who reports directly to the Head of Paid Service whose salary is more than £50,000.

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

2017/18

Post Title and Name	Note	Salary £	Expenses / Allowances £	Compensation for loss of office	Pension Contributions £	Total Remuneration £
Chief Executive (Head of Paid Service) - John Hooton		177,613	-	-	46,002	223,615
Deputy Chief Executive - Cath Shaw		145,066	-	-	37,572	182,638
Strategic Director of Children and Young People - Christopher Munday		140,217	-	-	36,316	176,533
Strategic Director of Adults, Communities and Health - Dawn Wakeling		140,217	-	-	36,316	176,533
Strategic Director of Environment - Jamie Blake		138,967	1,246	-	36,639	176,852
Assistant Chief Executive - Stephen Evans	(i)	115,884	-	-	-	115,884
Assistant Chief Executive - Jenny McArdle	(ii)	9,450	-	-	-	9,450
Director of Resources and Section 151 Officer - Anisa Darr	(iii)	114,220	-	-	29,583	143,803
Interim Director of Finance and Section 151 Officer - Kevin Bartle	(iv)	35,276	-	-	-	35,276
Chief Legal Advisor and Monitoring Officer - David Tatlow	(v)	81,053	8,766	-	-	89,819
Director of Public Health - Andrew Howe	(vi)	145,289	-	-	20,892	166,181
Director of Public Health - Tamara Djuretic	(vii)	3,495	349	-	996	4,840

Notes to the Accounts

- i. Stephen Evans left on 23 March 2018.
- ii. Jenny McArdle took up the post of Assistant Chief Executive on 13 March 2018. The amount shown above is the pay rate; the total amount paid to the agency for the period 13 to 31 March was £11,332.
- iii. Anisa Darr is the substantive post holder for the Director of Resources post and is the Section 151 Officer. Ms Darr was on maternity leave for part of 2017/18.
- iv. Kevin Bartle is the interim Director of Finance covering Anisa Darr's absence.
- v. David Tatlow was directly employed by the council from 1 April 2017.
- vi. Andrew Howe was employed by the London Borough of Harrow and was funded 50% by London Borough of Barnet. The element showing is the full salary paid to him.
- vii. Tamara Djuretic is the Director of Public Health for London Borough of Barnet and commenced employment on 19 March 2018.

2016/17

Post Title and Name	Note	Salary £	Expenses / Allowances £	Compensation for loss of office £	Pension Contributions £	Total Remuneration £
Chief Executive (Head of Paid Service) - Andrew Travers	(i)	52,316	-	93,806	12,148	158,270
Chief Executive (Head of Paid Service and Section 151 Officer) - John Hooton	(ii)(iii)	174,557	-	-	45,209	219,766
Interim Deputy Chief Executive and Commissioning Director (Growth and Development) - Cath Shaw	(iv)	117,926	-	-	30,543	148,469
Interim Chief Operating Officer - Stephen Evans	(v)	106,744	-	-	27,647	134,391
Commissioning Director (Adults and Health) and Director of Adult Social Services - Dawn Wakeling		129,870	-	-	33,636	163,506
Director of Adults and Communities - Mathew Kendal		113,846	-	-	29,486	143,332
Commissioning Director (Children and Young People) and Director of Children's Services - Christopher Munday		134,342	-	-	34,795	169,137
Commissioning Director (Environment) - Jamie Blake		132,626	1,154	-	34,649	168,429
Assurance Director (Monitoring Officer) - Davina Fiore	(vi)	44,800	-	-	11,603	56,403
Interim Assurance Director (Monitoring Officer) - David Tatlow	(vii)	69,656	-	-	-	69,656
Director of Public Health - Mr Andrew Howe	(viii)	150,825	-	-	21,658	172,483

Notes to the Accounts

- i. Andrew Travers left on 30 June 2016
- ii. John Hooton was Chief Executive and S151 Officer from 24 May 2016 (including part of the year on an interim basis)
- iii. John Hooton was Chief Operating Officer and Section 151 Officer until taking on the role of Chief Executive.
- iv. Cath Shaw became the Interim Deputy Chief Executive and Commissioning Director for Growth and Development from 24 May 2016.
- v. Stephen Evans became the Interim Chief Operating Officer from 24 May 2016.
- vi. Davina Fiore left on 2 September 2016.
- vii. David Tatlow was appointed as the council's Monitoring Officer following the departure of Davina Fiore. He was employed through an employment agency and it is his agency costs that are shown in the note. Normal recruitment procedures apply to the appointment and the council did not undertake any other material transactions with the third party in the year.
- viii. Andrew Howe is employed by the London Borough of Harrow and funded 50% by London Borough of Barnet. The element showing is the full salary paid to him.

The number of employees who received taxable remuneration in excess of £50,000, excluding employer's pension contributions for the year (including teachers) was:

Notes to the Accounts

Remuneration band	2017/18 Total Number of Employees	2016/17 Total Number of Employees
£50,000 - £54,999	138	147
£55,000 - £59,999	57	63
£60,000 - £64,999	51	40
£65,000 - £69,999	28	40
£70,000 - £74,999	32	27
£75,000 - £79,999	31	22
£80,000 - £84,999	12	9
£85,000 - £89,999	5	7
£90,000 - £94,999	4	6
£95,000 - £99,999	4	1
£100,000 - £104,999	-	3
£105,000 - £109,999	2	2
£110,000 - £114,999	1	1
£115,000 - £119,999	-	1
£120,000 - £124,999	3	1
£125,000 - £129,999	-	1
£130,000 - £134,999	-	2
£135,000 - £139,999	1	1
£140,000 - £144,999	2	-
£145,000 - £149,999	1	-
>£150,000	1	1
Total	373	375

This table includes employees included in the senior employee table.

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

	2017/18 Exit Packages by Band Number	2017/18 Exit Packages by Band £'000	2016/17 Exit Packages by Band Number	2016/17 Exit Packages by Band £'000
£nil to £20,000	85	472	152	888
£20,001 - £40,000	10	262	6	189
£40,001 - £60,000	5	228	1	58
£60,001 - £80,000	1	62	2	137
£80,001 - £100,000	-	-	2	181
	101	1,024	163	1,453

All Exit packages included in the table above are compulsory.

Notes to the Accounts

26. Audit Costs

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

	2017/18 £'000	2016/17 £'000
Fees payable to BDO LLP, the council's appointed external auditors	170	170
Certification of grant claims and returns	28	28
	198	198

27. Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency. The DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance and Early Years (England) Regulations 2017.

The Schools' Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2017/18 are as follows: -

	2017/18			2016/17		
	Central Expenditure	Individual Schools' Budget	Total	Central Expenditure	Individual Schools' Budget	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Final DSG before Academy recoupment	-	-	316,508	-	-	302,378
Academy figure recouped	-	-	(106,677)	-	-	(98,308)
Total DSG after academy recoupment	-	-	209,831	-	-	204,070
Plus: Brought forward from prior year	-	-	4,225	-	-	5,019
Less: Carry-forward to following year agreed in advance	-	-	-	-	-	(3,245)
Agreed initial budget distribution	45,321	168,735	214,056	41,939	163,905	205,844
In-year adjustments	-	-	-	-	-	-
Final budget distribution	45,321	168,735	214,056	41,939	163,905	205,844
Less: Actual central expenditure	(44,820)	-	(44,820)	(40,959)	-	(40,959)
Less: Actual ISB deployed to schools	-	(168,735)	(168,735)	-	(163,905)	(163,905)
Carry-forward from in year grant received	501	-	501	980	-	980
Carry-forward from prior years	-	-	-	-	-	3,245
Total DSG Carried forward	-	-	501	-	-	4,225

Notes to the Accounts

28. Grant Income

The following table analyses the grant income included in the Taxation and Non-Specific Grant income line of the Comprehensive Income and Expenditure Statement (excluding council tax, NNDR and the donated asset as detailed in Note 12).

	2017/18 £'000	2016/17 £'000
Business Rates Related	(21,120)	(19,398)
Revenue Support Grant	(23,413)	(36,849)
Education Funding	(966)	(2,650)
New Homes Bonus	(10,770)	(12,431)
Housing Benefit	(1,543)	(1,724)
Private Finance Initiative Grant	(2,235)	(2,235)
Other Grants	(3,132)	(4,587)
Capital Grants and Contributions	(71,133)	(34,468)
	(134,312)	(114,342)

The table below analyses the revenue grants credited to the service income lines in the Comprehensive Income and Expenditure Statement.

	2017/18 £'000	2016/17* £'000
Dedicated Schools Grant**	(209,315)	(203,787)
Education Related Grants	(30,474)	(23,472)
Housing Benefit Subsidy	(271,190)	(270,195)
Council tax Administration	(528)	(537)
Independent Living Grant	(1,427)	(1,739)
Public Health Grant	(17,609)	(18,054)
Elections Funding	(76)	(1,254)
Asylum Seekers Grant	(2,204)	(1,322)
Other Grants	(6,406)	(3,837)
S106 Contributions	(352)	-
	(539,581)	(524,197)

*restated see note 5

**includes a net clawback of £515k in 2017/18 (£283k in 2016/17).

The council has received a number of grants and contributions that have conditions attached to them. As long as the council has reasonable assurance the capital grant conditions will be met, the income is to be shown in the CIES and then moved to the Capital Grants Unapplied Account via the Movement in Reserves Statement.

29. Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent

Notes to the Accounts

to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central Government

Central government has significant influence over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides most of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (eg council tax bills, housing benefits). Grant income received during 2017/18 is shown in Note 28.

Transactions with other local authorities

The council has a number of significant transactions with other local authorities and other health authorities these include:

- Pooled budgets with health are disclosed in note 23.
- Investments with other local authorities totalling £23m at 31 March 2018. (£5.053m at 31 March 2017).
- Barnet children being placed in schools in neighbouring authorities.

London Borough of Barnet Pension Fund

The council is the administrating authority for the Pension Fund. In 2017/18 the council's employer's contributions were £23.207m (£22.645m in 2016/17) and the council charged £0.801m for its administration (£0.717m in 2016/17).

Members' allowances and interests in voluntary organisations

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 24. In addition, members may participate in other public bodies and community groups. The Council has well established mechanisms and procedures for preventing undue influence which includes the register of members' interests. Every year members complete a declaration of their related party transactions. In 2017/18 the Council paid a total of £2.812m to voluntary groups/charities and academy schools in which 14 members held position on their governing bodies. In 2016/17 £1.654m was paid to voluntary groups where 18 members were on the governing bodies.

Senior Officers' and Members' interests in companies

Senior Officers also declare their related party transactions. In 2017/18, three officers were company directors or board members (three officers in 2016/17) and three members acted as a company director on behalf of the council.

In addition, one Senior Officer is a board member of the Peabody Housing Trust. The council has nomination rights for housing with this organisation. One Senior Officer is a trustee of YouthZone. The Chief Executive is the Chair of Trustees of Live Unlimited, a registered charity set up by Barnet Council to provide equal opportunities, support and inspiration for

Notes to the Accounts

Barnet's looked after Children and Care Leavers. There were no material transactions with the council.

The Council requires all Members and Senior Officers to complete a related party declaration form. In 2017/18, returns were received from all Members and Senior Officers.

Interests in Companies and Group Relationships

The London Borough of Barnet has four subsidiaries:

- The Barnet Group
- Barnet (Holdings) Ltd
- BX Holdings Ltd
- Hill Green Homes Ltd

The Barnet Group

The London Borough of Barnet owns 100% of the share capital of The Barnet Group Ltd. Two members of the council are on the board. The Barnet Group has five subsidiaries, Barnet Homes Limited, Your Choice (Barnet), TBG Flex Limited, TBG Open Door Limited and Bumblebee Lettings Ltd. The Barnet Group Ltd is the sole member and guarantor of Barnet Homes Ltd, a company limited by guarantee. 100% of the shares of the other four subsidiaries are held by the Barnet Group.

The London Borough of Barnet contracts with The Barnet Group Ltd for Adult Social Care Services, Housing Management Services and Homelessness Services. The Barnet Group Ltd then contracts with Your Choice Barnet for Adult Social Care and with Barnet Homes for Housing Management Services and Homelessness Services. As a result, the Barnet Group receives a management fee from the council. The Barnet Group also invoices the council for ad hoc services and capital works carried out on behalf of the council by Barnet Homes Ltd. The following transactions happened between the council and The Barnet Group (TBG):

	2017/18	2016/17
	£'000	£'000
Expenditure by the council paid to TBG	128,169	123,786
Income received from TBG	(1,466)	(3,476)
Amount owed to TBG	(11,538)	(5,077)
Amount TBG owes the council	7,190	12,794

Open Door Ltd and the council have agreed a loan arrangement of £65m to be drawn down over a number of years. The first draw down of £3.583m was made in 2017/18.

Barnet (Holdings) Ltd

The London Borough of Barnet owns 100% of the share capital of Barnet (Holdings) Ltd, which owns 49% of the share capital in the joint venture of Regional Enterprise Ltd (RE Ltd) with Capita plc. The council contracts with RE Ltd for development and regulatory services. The council's Chief Executive and the Leader are company directors of Barnet Holdings Ltd and Regional Enterprise Ltd.

The following transactions occurred between the council and this company:

Notes to the Accounts

	2017/18 £'000	2016/17 £'000
Income received by the council	(1,761)	(400)
Expenditure by the council	40,986	33,500
Net Balance owed to the council	13,386	8,277

BX Holdings Ltd and Hill Green Homes Ltd

The council owns 100% of the shares of BX Holdings and Hill Green Homes Ltd. One Senior Officer is a director of BX Holdings Ltd. Neither subsidiary traded in 2017/18

Inglis Consortium

The council has a 13.9% share in the Inglis Consortium which is a joint venture with VSM Estates Ltd and Annington Property Ltd. During 2017/18 the Chief Executive and Assistant Chief Executive acted as partner representatives on behalf of the council.

The following transactions happened between the council and this company:

	2017/18 £'000	2016/17 £'000
Income received by the council	(13,803)	(5,900)
Expenditure by the council	-	-
Balance owed to the council	5,367	-

In 2017/18 there is a long-term debtor with Inglis Consortium relating to future capital receipts. In the 2016/17 accounts the council had an investment property as the council still owned the land.

30. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed.

Notes to the Accounts

	2017/18 £'000	2016/17 £'000
Opening Capital Financing Requirement	435,651	411,926
Capital Investment		
Property plant and equipment	113,508	112,630
Investment properties	-	-
Intangible assets	2,233	-
Revenue expenditure funded from capital under statute	45,570	25,124
Long term debtor treated as capital	3,583	-
Source of finance		
Capital receipts	(32,706)	(21,004)
Government grants and other contributions	(60,888)	(34,890)
Sums set aside from reserves	(36,856)	(48,518)
MRP	(10,929)	(9,617)
Closing Capital Financing Requirement	459,166	435,651
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	23,113	23,282
Assets acquired under PFI contracts	402	443
Increase in Capital Financing Requirement	23,515	23,725

31. Leases

Operating Leases

The council does not own all of the property, vehicles and other equipment that it uses. The items it does not own are held under operating leases.

In 2017/18 the council paid £3.085m in respect of operating leases (£2.579m in 2016/17) and there were commitments representing the total of future minimum lease payments in place of £23.469m (£29.136m in 2016/17) for future years.

Properties were leased out and in 2017/18 this produced an income of £4.850m (£4.498m in 2016/17) with £132.077m (£132.238m in 2016/17) contracted for future years.

Notes to the Accounts

Future Operating Lease Payments 31 March 2018

	Property leased in £'000	Property leased out £'000
less than one year	3,014	(4,529)
one to five years	7,172	(10,012)
greater than five years	13,283	(117,536)
Total	23,469	(132,077)

Future Operating Lease Payments 31 March 2017

	Property leased in £'000	Property leased out £'000
less than one year	2,857	(4,545)
one to five years	9,251	(9,709)
greater than five years	17,028	(117,984)
Total	29,136	(132,238)

32. Private Finance Initiatives (PFI) and Similar Contracts

In April 2006 the council entered into a PFI contract to provide street lighting. This consisted of a Core Investment Programme (CIP) for five years followed by a post CIP operating period of 20 years. The 25 year contract will expire in 2031.

At year end street lights that have been erected are recognised on the council's Balance Sheet as infrastructure assets. Each year the CIP assets and corresponding liabilities are to be acknowledged.

Below is the movement in the carrying value of the assets recognised under the PFI arrangement:

PFI Street Lights	31 March 2017	In Year Movement	31 March 2018
	£'000	£'000	£'000
Gross book value	26,787	402	27,189
Accumulated depreciation	(9,666)	(1,376)	(11,042)
Net book value	17,121	(974)	16,147

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

Notes to the Accounts

	2016/17	In Year Movement	2017/18
	£'000	£'000	£'000
Lease liability	16,402	(428)	15,974
		short term creditors	484
		long term lease	15,490

Payments to be made under the PFI arrangement are as follows:

	Repayment of liability	Interest	Service charges	Other charges	Total
	£'000	£'000	£'000	£'000	£'000
2018/19	484	2,147	1,604	1,339	5,574
2019/20 - 2022/23	2,665	7,847	6,924	6,398	23,834
2023/24 - 2027/28	5,827	7,241	9,925	11,331	34,324
2028/29 - 2031/32	6,998	2,082	6,912	5,525	21,517
Total Commitments	15,974	19,317	25,365	24,593	85,249

If the assumptions around inflation were to vary by 2% it would result in a £1.3m increase/decrease in payments over the life of the arrangement.

33. Termination Benefits

The council terminated the contracts of a number of employees in 2017/18, incurring unreduced early retirement benefits of £0.121m (£0.151m in 2016/17) of which £0.121m (£0.151m in 2016/17) was payable to the employees and there was no effect on the pension strain.

All other termination payments are included in note 25.

34. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

Notes to the Accounts

In 2017/18, the council paid £16.973m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The amount paid in 2016/17 was £16.600m, representing 16.48% of pensionable pay. The contributions due to be paid in the next financial year are estimated to be £16.973m, unchanged from 2017/18.

35. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The council participates in the Local Government Pension Scheme (LGPS) the scheme manager/administering authority being the London Borough of Barnet. This is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The London Borough of Barnet pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Fund Committee of the London Borough of Barnet. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the committee.

The principal risks to the council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions relating to Post-Employment Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Notes to the Accounts

	2017/18 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement		
Cost of services:		
Current service cost	(38,885)	(22,054)
Past service cost	(1,286)	(267)
Financing and Investment Income and Expenditure		
Net interest expense	(13,517)	(15,543)
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of services	(53,688)	(37,864)
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	6,865	72,348
- Actuarial gains and losses arising from changes in demographic assumptions	-	(5,183)
- Actuarial gains and losses arising from changes in financial assumptions or other experience	21,111	(115,450)
Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	27,976	(48,285)
Total charged to the CIES	(25,712)	(86,149)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus / Deficit on the Provision of Services	(53,688)	(37,864)
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	23,207	22,645

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plan is as follows:

	31 March 2018		31 March 2017	
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	1,168,711		1,147,759	
Fair value of plan assets	(661,659)		(644,393)	
Net Liability		507,052		503,366
Present value of the unfunded obligation		28,094		29,275
Net Liability in Balance Sheet		535,146		532,641

The net liability shows the underlying commitments that the council has in the long term to pay retirement benefits. The total net deficit of £535.146m (2016/17: £532.641m), including the liability for the LGPS unfunded scheme has a substantial impact on the net worth of the

Notes to the Accounts

council, as recorded in the Balance Sheet.

However, the financial position of the council remains healthy as there are arrangements for funding the net pension liabilities, governed by statute, as follows:

- The required contribution from the council, taking into consideration projected investment returns, are re-assessed by the scheme actuary on a prudent funding basis every three years.
- The liability on the unfunded LGPS scheme will be paid by the council as pensions are paid.

The net liability calculated on an 'ongoing funding basis' that take into account the prudently estimated future investment returns is considerably lower at £252.238 million (excluding unfunded obligations) as at 31 March 2016, the most recent triennial actuarial valuation. This is because of the different actuarial assumptions used to determine the council's required contribution rates.

Reconciliation of Scheme Assets and Benefit Obligations

	2017/18 £'000	2016/17 £'000
Opening Fair Value of Scheme Assets	644,393	561,449
Interest income	16,029	19,496
Return on assets, excluding the amount included in the net interest expense	6,865	72,348
Contributions by the council including in respect of unfunded benefits	23,207	22,645
Contributions by scheme participants	5,857	5,414
Estimated benefit paid including unfunded benefits	(34,692)	(36,959)
Closing Fair Value of Scheme Assets	661,659	644,393

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2017/18 £'000	2016/17 £'000
Opening Defined Benefit Obligation	1,177,034	1,030,586
Current service cost	38,885	22,054
Interest cost	29,546	35,039
Remeasurement gains and losses:		
- Actuarial gains and losses arising from changes in demographic assumptions	-	5,183
- Actuarial gains and losses arising from changes in financial assumptions	(20,881)	150,001
- Other experience gains and losses	(230)	(34,551)
Estimated funded benefit paid	(33,182)	(35,399)
Past service costs, including curtailments	1,286	267
Contributions by scheme participants	5,857	5,414
Unfunded pension payments	(1,510)	(1,560)
Closing Defined Benefit Obligation	1,196,805	1,177,034

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Scheme Assets

The Local Government Pension Scheme invests in a wide range of funds managed by external investment managers. The details of all the mandates as at 31 March 2018 and 2017 are shown in the table below. Further details are contained within the pension fund's annual report and accounts:

Local Government Pension Scheme Assets comprised:

Asset Class / Investment Manager	Holdings as at 31 March 2018		Holdings as at 31 March 2017	
	%	£'000	%	£'000
Equity	39.6%	261,795	39.0%	251,301
LGIM	19.6%	129,170	19.6%	126,529
LGIM	20.0%	132,625	19.4%	124,772
Diversified Growth Funds	24.9%	164,972	26.8%	172,577
Schroder DGF	13.2%	87,510	13.9%	89,672
Newton Real Return	11.7%	77,462	12.9%	82,905
Corporate Bonds	10.9%	72,114	20.1%	129,742
Schroders All Maturities Corporate Bond Fund	10.9%	72,114	11.0%	71,133
Schroders Strategic Bonds	0.0%	-	9.1%	58,609
Liquid Multi-Asset Credit	10.6%	69,750	6.7%	42,816
Alcentra - Clareant Global Multi Credit	3.2%	21,111	3.2%	20,365
Baring Global High Yield Credit Strategies	3.5%	23,098	3.5%	22,451
Insight - IIFIG Secured Finance	3.9%	25,541	0.0%	-
Liquid Alternatives	13.7%	90,783	5.1%	33,041
Partners Multi Asset Credit 2015	3.1%	20,349	3.7%	23,674
Partners Multi Asset Credit 2017	1.0%	6,472	0.0%	-
Alcentra - Clareant Direct European Lending	2.3%	15,269	1.4%	9,367
M&G Lion Credit Opportunities Fund	2.9%	19,041	0.0%	-
IFM Global Infrastructure	4.5%	29,652	0.0%	-
Cash	0.3%	2,245	2.3%	14,916
	100.0%	661,659	100.0%	644,393

Notes to the Accounts

Basis for Estimating Assets and Liabilities

To assess the value of the employer's liabilities at 31 March 2018, the council's actuary (Hymans Robertson LLP) rolled forward the value of the employer's liabilities calculated for the funding valuation as at 31 March 2016, using the financial assumptions that comply with IAS 19.

The significant assumptions used by the actuary in its calculation for the Local Government Pension Scheme were:

Mortality Assumptions

	2017/18		2016/17	
		Years		Years
Assumed life expectancy from age 65 years	Males	21.9	Males	21.9
	Females	24.3	Females	24.3
Retiring today	Males	23.9	Males	23.9
	Females	26.5	Females	26.5
Retiring in 20 years	Males	23.9	Males	23.9
	Females	26.5	Females	26.5

Financial Assumptions

	2017/18	2016/17
	% p.a.	% p.a.
Rate of increase in salaries	2.7	2.7
Rate of increase in pensions	2.4	2.4
Rate for discounting scheme liabilities	2.6	2.5

Sensitivity Analysis

The estimate of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. Sensitivity analysis has been undertaken, based on reasonably possible changes of assumptions occurring at the end of the reporting period. This assumes, for each change, that the assumption analysed changes, whilst all other assumptions remain constant. In practice changes in some of the assumptions may be inter-related. The estimation in the sensitivity analysis has followed the accounting policies for the scheme. The method and types of assumption used in preparing the sensitivity analysis below have not changed from those reported in the prior financial year.

Notes to the Accounts

	Impact on the Defined Benefit	
	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease of 1 year)	35,904 to 59,840	(35,904) to (59,840)
Rate of inflation in salaries (increase or decrease by 0.5%)	9,450	(9,450)
Rate of inflation in pensions (increase or decrease by 0.5%)	99,144	(99,144)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(109,593)	109,593

The variable whose sensitivity has the greatest impact is changes in the discount rate. Long term interest rates have declined over the last decade (and longer) and are the major cause of the significant net liabilities.

The Barnet Pension Fund Committee models the range of future outcomes when setting investment strategy and seeks the lowest volatility consistent with the required future investment return. There is no explicit liability hedging in place.

Impact on the Council's Cashflows

Contributions payable by the council are assessed by the scheme actuary every three years. The actuary is required to emphasise solvency and cost-efficiency, but also seeks to ensure stability of contributions by limiting the extent of change from year to year for employers, such as the council, with a strong covenant. A triennial valuation was undertaken as at 31 March 2016 and set contributions for the period 1 April 2017 to 31 March 2020 with the aim of restoring full funding within 20 years.

The total amount of contributions expected to be paid to the LGPS by the council in the year to 31 March 2019 is £22.845 million (£20.114 million for 31 March 2018).

36. Contingent Liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events that are not wholly within the council's control.

- The council is in dispute over the receipt of a capital payment from a developer (£1.4m), the outcome of which will not be known for a number of years.
- The council has received appeals from various NHS trusts and limited companies seeking charitable relief for business rates. This is an ongoing issue and the outcome of these appeals will not be known until future years.

37. Nature and Extent of Risks Arising from Financial Instruments

Notes to the Accounts

Financial Instruments - Risks

The council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) and complies with The Prudential Code for Capital Finance in Local Government.

As part of the adoption of the Treasury Management Code, the council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the statutory guidance on local government investments. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The council's Treasury Management Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity. The council's activities expose it to a variety of financial risks:

- Credit risk: The possibility that other parties might fail to pay amounts due to the council.
- Liquidity risk: The possibility that the council might not have funds available to meet its commitments to make payments.
- Market risk: The possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

Risk management is carried out by the treasury team in accordance with policies that are regularly updated covering the risk areas mentioned above.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the council's customers. The council manages credit risk by ensuring that investments are placed with counterparties (banks, building societies, other local authorities, the UK Government, supranational institutions and AAA-rated money market funds) of sufficiently high credit quality as set out in the Treasury Management Strategy.

A limit of £25m is placed on the amount of money that can be invested with a single counterparty and a minimum long-term credit rating of A- (apart from part nationalised UK banks) is required. The council also sets a total group investment limit for institutions that are part of the same banking group and limits the geographical exposures to the UK and countries whose government debt is rated AA or higher. The council's 2017/18 Treasury Management Strategy allows deposits to be placed for a maximum period of ten years and a maximum of £100m to be placed in non-specified investments. In 2017/18, all investments were placed for less than 365 days.

Customers for goods and services are assessed, considering their financial position, past experience and other factors. Services are responsible for controlling the issue of credit in line with pre-determined arrangements and adhering to the arrangements for blocked customers.

It must also be noted that although credit ratings remain a key source of information, the council recognises that they have limitations and investment decisions are based on a range

Notes to the Accounts

of credit indicators. All investments have been made in line with the council's Treasury Management Strategy for 2017/18, approved by council on 6 March 2017.

The two tables below summarise the nominal value and credit ratings of the council's investment portfolio at 31 March 2018, and confirms that all investments were made in line with the council's approved credit rating criteria at the time of placing the investment:

Counterparty	Credit Rating Criteria Met When Investment Placed	Credit Rating Criteria Met on 31 March 2018	Balance Invested as at 31 March 2018					Total
	Yes/No	Yes/No	Up to 1 month	>1 month and <3 months	>3 months and <6 months	>6 months and <12 months	>12 months and <24 months	£'000
			£'000	£'000	£'000	£'000	£'000	£'000
Other Local Authorities	Yes	Yes	13,000	-	-	10,000	-	23,000
Banks – UK	Yes	Yes	-	-	-	5,000	-	5,000
Banks – Non UK	Yes	Yes	5,000	-	-	-	-	5,000
Total Banks			5,000	-	-	5,000	-	10,000
Money Market Funds	Yes	Yes	47,100	-	-	-	-	47,100
Call Accounts	Yes	Yes	15,400	-	-	-	-	15,400
Current accounts	Yes	Yes	7,248	-	-	-	-	7,248
Total			87,748	-	-	15,000	-	102,748

The above analysis shows that all deposits outstanding as at 31 March 2018 met the council's credit rating criteria. No investment limits were exceeded during the year and the council does not anticipate any defaults on its treasury investments.

Credit Ratings	31 March 2018 Current £'000	31 March 2017 Current £'000
AAAf/S1 (funds)	-	10,000
AAAmmf (funds)	47,100	13,700
AA-	-	51,500
A	25,400	-
BBB+	7,248	20,415
Unrated local authorities	23,000	5,000
	102,748	100,615

The credit ratings in the above table are the lowest of the long-term debt ratings from the three main rating agencies using the Fitch designations.

Notes to the Accounts

A risk of irrecoverability applies to all of the council's deposits, but there was no evidence that at 31 March 2018 this was likely to crystallise. Link Asset Services have estimated the portfolio's historic risk of default as 0.005% as at 31 March 2018.

Trade Receivables

The following analysis summarises the council's trade debtor balances and provisions for bad and doubtful debts. As per the Code requirements, the disclosure below includes details only of debtors that have arisen as a result of trading activities. Balances and transactions arising from statutory functions (i.e. council tax and NNDR payments) are excluded from this disclosure note, as they have not arisen from contractual trading activities.

Trade Receivables	Gross Debtors	For Bad and Doubtful Debts Provision
	£,000	£,000
2017/18 Trade Debtors	117,487	15,144
2016/17 Trade Debtors*	121,386	13,172

*restated

Liquidity Risk

The council has a comprehensive cashflow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has access to borrowing facilities including the Public Works Loan Board, commercial banks, bond issues, and other local authorities. There is no perceived risk that the council will be unable to raise finance to meet its commitments. The council also must manage the risk that it will be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates by setting limits on the proportion of total debt expiring in any five-year period.

The council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The council manages its investment portfolio to ensure cash is available to meet all liabilities as they fall due for payment. At 31 March 2018, all investment had a maturity of less than 12 months, of which £62.5 million was immediately available.

The council undertakes long term projection of its capital programme to ensure that funding is undertaken as efficiently as possible using forecasts of future interest rates.

The maturity analysis and sourcing of the nominal value of the council's debt at 31 March 2018 was as follows:

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Maturity analysis	Years	31 March	% of total	31 March	% of total
		2018	debt	2017	debt
		£'000	portfolio	£'000	portfolio
Long Term Borrowing	Over 5 but not over 10 years	22,516	7.40%	2,000	0.66%
	Over 10 but not over 15 years	70,516	23.19%	91,032	29.94%
	Over 15 but not over 20 years	42,516	13.98%	42,516	13.98%
	Over 20 but not over 25 years	65,516	21.55%	65,516	21.55%
	Over 25 but not over 30 years	20,516	6.75%	20,516	6.75%
	Over 35 but not over 40 years	29,500	9.70%	29,500	9.70%
	Over 45 years	53,000	17.43%	53,000	17.43%
Total Borrowing		304,080	100.00%	304,080	100.00%

The above note excludes accrued interest on debt of £1,461,000, which is payable within 12 months. All trade and other payables are due to be paid in less than one year.

The maturities of PFI borrowing are shown in note 32

Market Risk

Interest rate risk - The council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus of Deficit on the Provision of Services will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Surplus of Deficit on the Provision of Services will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a treasury indicator is set which provides maximum limits for fixed and variable

Notes to the Accounts

interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns. Similarly the drawing of longer term fixed rates borrowing would be postponed.

The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 30% on external debt that can be subject to variable interest rates. As at 31 March 2018, 100% of the debt portfolio was held in fixed rate instruments, none of which mature in the next five years.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	1,044
Impact on Surplus or Deficit on the Provision of Services	1,044
Share of overall impact credited to the HRA	258
Increase in fair value of fixed interest investments	42
Impact on Other Comprehensive Income and Expenditure	42
Decrease in fair value of fixed rate borrowings/liabilities*	(57,934)

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

As most investments are made overnight or for relatively short terms (a week to a month) all investment income has been treated as variable rate.

As the average rate earned on investments is 0.55%, it is deemed unlikely that interest earned could decrease below 0%. The interest earned in the year is £0.576m (HRA share: £0.127m) and the maximum decrease is deemed to be this value. These assumptions are based on the same methodology as used in the 'Fair Value' disclosure note (Note 15).

Housing Revenue Account

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Income and Expenditure Statement

	2017/18	2016/17
	£'000	£'000
Expenditure		
Repairs and maintenance	9,137	7,550
Supervision and management	22,418	24,454
Rents, rates and other charges	115	94
Depreciation, impairment and reversal of revaluation losses in relation to non-current assets	(7,008)	(2,076)
(Decrease)/increase in Provision for bad or doubtful debts	(442)	161
Total Expenditure	24,220	30,183
Income		
Dwelling rents	51,376	52,028
Non-dwelling rents	662	698
Charges for service and facilities	4,069	10,519
Contributions towards expenditure	5,903	-
Total Income	62,010	63,245
Net income on HRA services included in the Comprehensive Income and Expenditure Statement	37,790	33,062
Gain/(loss) on sale of HRA non-current assets	5,870	(131)
Interest payable and similar charges	(7,427)	(7,346)
Interest receivable	127	62
Investment property income	820	924
Movement in investment property valuation	4,439	739
Capital grants and contributions receivable	3,102	2,417
Surplus for the year on HRA services	44,721	29,727

Housing Revenue Account

Movement on the HRA Statement

	2017/18	2016/17
	£'000	£'000
Balance as at 31 March 2017	12,489	8,820
Surplus on the HRA Income and Expenditure Statement	44,721	29,727
Adjustments between accounting and funding basis under statute		
Financial instrument adjustment	(2)	(4)
(Gain)/loss on HRA fixed assets	(5,870)	131
Transfer to Major Repairs Reserve	(23,372)	(21,693)
Transfer to Capital Adjustment Account	(12,963)	(4,492)
Net increase in year	2,514	3,669
Balance as at 31 March 2018	15,003	12,489

Notes to the Housing Revenue Account

1 Number of Dwellings	31 March 2018	31 March 2017
	units	units
Houses	3,562	3,574
Flats	6,257	6,273
	9,819	9,847
2 Arrears and Bad Debt Provision	31 March 2018	31 March 2017
	£'000	£'000
Council housing tenants	4,410	3,908
Leaseholders	7,253	6,279
Commercial tenants	356	350
Total	12,019	10,537
Bad debt provision	(2,715)	(3,229)

Housing Revenue Account

3 Value of HRA Assets	31 March 2018	31 March 2017
	£'000	£'000
Valuation for Social Housing Use - Operational Assets		
Dwellings	742,000	702,000
Other land and buildings	34,446	36,739
Heritage assets	47	47
Investment properties	34,785	29,786
Surplus assets not held for sale	4,681	-
	815,959	768,572
Non Operational Assets:		
Vacant Possession Valuation	2,968,000	2,808,000

The difference between the vacant possession value (£2,968m) and the balance sheet value (£742m) represents the economic cost of providing council housing at less than market rent.

4 Impairment/Impairment Reversals and Revaluation Losses	2017/18	2016/17
	£'000	£'000
Council dwellings	(30,431)	(24,680)
Other land and buildings/Investment properties	(4,388)	(739)
	(34,819)	(25,419)

Impairment charges for the financial year in respect of land, houses and other property within the authority's HRA, are calculated in accordance with proper practices.

5 Depreciation	2017/18	2016/17
	£'000	£'000
Council dwellings	22,867	22,062
Other land and buildings	505	542
	23,372	22,604

6 Capital Expenditure and Financing	2017/18	2016/17
	£'000	£'000
Capital expenditure	49,378	37,826
Financed by		
Major Repairs Reserve (MRR)	29,258	26,831
Capital receipts	11,637	5,864
Other contributions	8,483	5,131
	49,378	37,826

Capital expenditure for 2017/18 includes £1.587m of REFCUS.

Housing Revenue Account

7 Capital Receipts from Disposals

	2017/18	2016/17
	£'000	£'000
Council dwellings	7,719	12,033
Other land and buildings	984	1,241
	8,703	13,274

8 Accounting for Pensions in the HRA

As day to day housing management is carried out by Barnet Homes Limited, the HRA employs very few staff directly. Because of this, the cost of obtaining a separate HRA actuarial report to split the notional cost of HRA staff from those employed by the General Fund cannot be justified. Therefore although the HRA has been reported on an IAS19 basis, no attempt has been made to show a separate liability related to the defined benefit position.

Draft

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	Note	2017/18			2016/17		
		NDR £'000	Council Tax £'000	Total £'000	NDR £'000	Council Tax £'000	Total £'000
Income							
Council Tax	2	-	203,114	203,114	-	194,014	194,014
Business Rates Receivable	3	111,665	-	111,665	110,182	-	110,182
Business Rate Supplement Income		2,744	-	2,744	2,771	-	2,771
Contributions to previous year estimated deficit							
- Central Government		258	-	258	7,604	-	7,604
- London Borough of Barnet		155	-	155	4,562	-	4,562
- Greater London Authority		104	-	104	3,042	-	3,042
		114,926	203,114	318,040	128,161	194,014	322,175
Disbursement							
Apportionment of previous year's surplus							
- London Borough of Barnet		-	4,919	4,919	-	5,781	5,781
- Greater London Authority		-	1,211	1,211	-	1,568	1,568
		-	6,130	6,130	-	7,349	7,349
Precepts, Demands and Shares							
- Central Government		38,312	-	38,312	55,145	-	55,145
- London Borough of Barnet		34,829	160,560	195,389	33,087	151,708	184,795
- Greater London Authority		42,955	38,936	81,891	22,058	37,349	59,407
- Crossrail		2,737	-	2,737	2,765	-	2,765
		118,833	199,496	318,329	113,055	189,057	302,112
Charges to Collection Fund							
- Cost of collection allowance		418	-	418	416	-	416
- Cost of collection allowance BRS		8	-	8	7	-	7
- Increase/(reduction) in bad debt provision		2,683	1,622	4,305	1,762	(2,927)	(1,165)
- Increase/(reduction) in provision for appeals		2,959	-	2,959	(81)	-	(81)
- Write off of uncollectable amounts		-	-	-	-	(869)	(869)
- Transitional protection due (from)/to Central Government		(2,573)	-	(2,573)	243	-	243
- Interest on refunds		-	-	-	14	-	14
		3,495	1,622	5,117	2,361	(3,796)	(1,435)
Surplus/(Deficit) for year		(7,403)	(4,134)	(11,537)	12,746	1,404	14,150
Collection Fund Balances							
London Borough of Barnet	4	£'000	£'000	£'000	£'000	£'000	£'000
Greater London Authority		(2,460)	9,332	6,872	(239)	12,651	12,412
Central Government		(2,986)	2,271	(715)	(160)	3,086	2,926
Cumulative Surplus/(Deficit)		(2,754)	-	(2,754)	(398)	-	(398)
		(8,200)	11,603	3,403	(797)	15,737	14,940

Collection Fund

1. General

The council is required to maintain a separate agency Collection Fund Account. The Collection Fund account includes all transactions relating to the collection of business rates and council tax from taxpayers and their distribution to other local authorities and central government. This is a separate account from the General Fund account.

2. Council Tax

Council tax derives from charges raised according to the value of residential properties, which are classified into eight valuation bands (A to H). Individual charges are calculated by taking the total income required to be taken from the Collection Fund by the various precepting authorities and dividing this by the council tax base (the equivalent numbers of band D properties).

The council tax base for 2017/18 at the end of March 2018 was 142,556 (140,235 at 31 March 2017), being a 2.5% increase on the estimated council tax base of 139,049 agreed by council in March 2017.

Band	Ratio	Number of Band 'D' Equivalents
A	0.67	1,471
B	0.78	4,459
C	0.89	17,786
D	1.00	28,170
E	1.22	30,967
F	1.44	24,486
G	1.67	24,007
H	2.00	7,687
MOD Contribution		16
Tax Base		139,049

3. Business Rates

The Council collects business rates for its area on local rateable commercial property values provided by the Valuation Office Agency (VOA), multiplied by the uniform business rates multiplier set nationally by central government.

The total non-domestic rateable value for Barnet at 31 March 2018 was £301,794,603 (31 March 2017: £273,066,837) and the national non-domestic rate multiplier for the year was 47.9p (2016/17: 49.7p). For smaller businesses, the multiplier was 46.6p in 2017/18 and 48.4p in 2016/17.

4. Collection Fund Surplus or Deficit

The billing authority and preceptors share any council tax and NNDR surpluses or deficits in proportion to the precept requirement or regulatory shares.

5. Business Rates Supplement

Business Rates Supplement (BRS) is levied by the Greater London Authority on non-domestic properties with a rateable value higher than £70,000 (£55,000 in 2016/17), subject to certain allowances and exemptions, to finance the Crossrail Development.

The aggregate rateable value of properties liable for BRS at 31 March 2018 was £174,394,500 (the equivalent figure at 31 March 2017 being £169,555,650). The multiplier has remained at 2.0p / £ since the BRS was introduced.

Group Accounts

Group Comprehensive Income and Expenditure Statement

	2017/18			2016/17		
	Consolidated Gross Expenditure	Consolidated Gross Income	Consolidated Net Expenditure	Consolidated Gross Expenditure*	Consolidated Gross Income*	Consolidated Net Expenditure*
	£'000	£'000	£'000	£'000	£'000	£'000
Adults and Communities	132,255	(39,816)	92,439	124,213	(33,304)	90,909
Central Expenses	33,556	(3,218)	30,338	18,362	(2,658)	15,704
Commissioning Group	315,035	(282,305)	32,730	305,556	(277,261)	28,295
Customer and Support Group	47,701	(11,216)	36,485	45,333	(10,910)	34,423
Education and Skills	301,467	(261,444)	40,023	293,956	(252,127)	41,829
Family Services	75,805	(8,109)	67,696	63,592	(6,241)	57,351
Housing Needs and Resources	36,010	(23,820)	12,190	28,257	(20,922)	7,335
Local Authority Housing (HRA)	24,220	(62,010)	(37,790)	30,183	(63,245)	(33,062)
Parking and Infrastructure	13,594	(19,300)	(5,706)	16,920	(17,353)	(433)
Public Health	15,856	(17,609)	(1,753)	18,656	(18,191)	465
Regional Enterprise	59,127	(30,621)	28,506	39,018	(36,997)	2,021
Street Scene	23,622	(4,514)	19,108	25,304	(6,626)	18,678
Assurance	8,106	(909)	7,197	7,779	(2,010)	5,769
Deficit on Continuing Operations	1,086,354	(764,891)	321,463	1,017,129	(747,845)	269,284
Other Operating Expenditure	1,303	(2,598)	(1,295)	10,229	(259)	9,970
Financing and Investment Income and Expenditure	32,529	(32,214)	315	30,378	(6,248)	24,130
Taxation and Non-Specific Grant Income	-	(329,990)	(329,990)	-	(305,875)	(305,875)
Surplus on Provision of Services	1,120,186	(1,129,693)	(9,507)	1,057,736	(1,060,227)	(2,491)
Deficit/(Surplus) on revaluation of non-current assets			14,125			(10,471)
Remeasurement of the net defined benefit liability			(37,646)			48,366
Corporate taxation			-			24
Other Comprehensive Income and Expenditure			(23,521)			37,919
Total Comprehensive Income and Expenditure			(33,028)			35,428

*restated see note 5 of the council's single entity accounts

Group Accounts

Group Movement in Reserves Statement

Consolidated Movements in Reserves 2017/18

	General Fund Balance	School Balances	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2017	11,724	11,252	96,799	12,489	35,488	18,075	73,883	259,710	426,392	686,102
(Deficit) /Surplus on provision of services	(36,451)	1,237	-	44,721	-	-	-	9,507	-	9,507
Other comprehensive income and expenditure	-	-	-	-	-	-	-	-	23,521	23,521
Total comprehensive income and expenditure	(36,451)	1,237	-	44,721	-	-	-	9,507	23,521	33,028
Adjustments between accounting basis and funding basis under regulations	20,819	-	-	(42,207)	(6,151)	(5,886)	11,679	(21,746)	21,746	-
Net increase / (decrease) in year	(15,632)	1,237	-	2,514	(6,151)	(5,886)	11,679	(12,239)	45,267	33,028
Transfer to/(from) earmarked reserves	21,043	-	(21,043)	-	-	-	-	-	-	-
Increase / (decrease) in year	5,411	1,237	(21,043)	2,514	(6,151)	(5,886)	11,679	(12,239)	45,267	33,028
Balance as at 31 March 2018	17,135	12,489	75,756	15,003	29,337	12,189	85,562	247,471	471,659	719,130

Consolidated Movements in Reserves 2016/17*

	General Fund Balance	School Balances	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2016	14,535	11,635	112,000	8,820	40,175	23,213	75,243	285,621	435,909	721,530
(Deficit) /Surplus on provision of services	(26,853)	(383)	-	29,727	-	-	-	2,491	-	2,491
Other comprehensive income and expenditure	(24)	-	-	-	-	-	-	(24)	(37,895)	(37,919)
Total comprehensive income and expenditure	(26,877)	(383)	-	29,727	-	-	-	2,467	(37,895)	(35,428)
Adjustments between accounting basis and funding basis under regulations	8,865	-	-	(26,058)	(4,687)	(5,138)	(1,360)	(28,378)	28,378	-
Net increase / (decrease) in year	(18,012)	(383)	-	3,669	(4,687)	(5,138)	(1,360)	(25,911)	(9,517)	(35,428)
Transfer to/(from) earmarked reserves	15,201	-	(15,201)	-	-	-	-	-	-	-
Increase / (decrease) in year	(2,811)	(383)	(15,201)	3,669	(4,687)	(5,138)	(1,360)	(25,911)	(9,517)	(35,428)
Balance as at 31 March 2017	11,724	11,252	96,799	12,489	35,488	18,075	73,883	259,710	426,392	686,102

*restated

Group Accounts

Group Balance Sheet

	31 March 2018		31 March 2017	
	£'000	£'000	£'000	£'000
Property, plant and equipment	1,349,245		1,297,467	
Heritage assets	1,582		1,567	
Investment properties	128,813		123,372	
Intangible assets	13,789		7,228	
Long term debtors	6,274		1,212	
Long term investments	5,000		5,011	
Total Long Term Assets		1,504,703		1,435,857
Inventories	131		314	
Short term investments	33,030		62,167	
Short term debtors	128,606		175,526	
Cash and cash equivalents	75,291		52,904	
Total Current Assets		237,058		290,911
Short term creditors	(114,007)		(133,096)	
Short term borrowing	(1,461)		(1,434)	
Provisions	(10,264)		(7,920)	
Total Current Liabilities		(125,732)		(142,450)
Long term borrowing	(307,389)		(304,699)	
Provisions	(8,000)		(6,814)	
Pension scheme	(566,021)		(570,729)	
Long term lease	(15,490)		(15,974)	
Total Long Term Liabilities		(896,900)		(898,216)
Net Assets		719,130		686,102
Usable reserves	247,471		259,710	
Unusable reserves	471,659		426,392	
Total Reserves	719,130	719,130	686,102	

Group Accounts

Group Cash Flow Statement

	2017/18		2016/17	
	£'000	£'000	£'000	£'000
Net surplus on the provision of services	9,507		2,491	
Adjustment to surplus or deficit on the provision of services for non-cash movements	110,716		36,218	
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(102,714)		(53,804)	
Net cash flows from operating activities		17,509		(15,095)
Net cash flows from investing activities		(960)		6,985
Net cash flows from financing activities		5,838		(859)
Net increase or decrease in cash and cash equivalents		22,387		(8,969)
Cash and cash equivalents at the beginning of the reporting period		52,904		61,873
Cash and cash equivalents at the end of the reporting period		75,291		52,904

Draft

Notes to Group Accounts

1. Introduction

For a variety of legal, regulatory and other reasons, local authorities often choose (or are required) to conduct their activities not through a single legal entity but through two or more legal entities which fall under their ultimate control. For this reason the financial statements of the local authority do not necessarily, in themselves, present a full picture of its economic activities or financial position. Because of this, the Code requires a local authority to prepare group accounts if it has a control over one or more other legal entities. The aim of the group accounts is to give an overall picture of the extended services and economic activity that is under the control of the local authority.

The London Borough of Barnet (the reporting authority) has two subsidiary companies reported in the group accounts:

- The Barnet Group Ltd. The London Borough of Barnet owns 100% of the share capital of The Barnet Group Ltd. The Barnet Group has five subsidiaries: Barnet Homes Ltd, Your Choice (Barnet) Ltd, TBG Flex Limited, TBG Open Door Ltd and Bumblebee Lettings Ltd. The Barnet Group Ltd is the sole member and guarantor of Barnet Homes Ltd, a company limited by guarantee. The Barnet Group Ltd owns 100% of the share capital of the other four subsidiaries. The Barnet Group Ltd has a board consisting of ten members, of which two are members of the council.
- Barnet Holdings Ltd. The London Borough of Barnet owns 100% of the share capital of Barnet Holdings Ltd. which own 49% of the share capital in the joint venture in Regional Enterprise Ltd. with Capita plc. The council's Chief Executive and Leader are company directors of Barnet Holdings Ltd and Regional Enterprise Ltd.

2. Basis of Consolidation

The group CIES, group balance sheet, group movement in reserves statement and group cash flow statement have been prepared by consolidating the accounts of the reporting authority (London Borough of Barnet) and its subsidiaries (the Barnet Group Ltd and Barnet Holdings Ltd) on a line by line basis. The accounts of the Barnet Group Ltd have been prepared using similar accounting policies and practices to that of the reporting authority. However some accounting policies and practices do differ in some respects from the council's due to legislative requirements. The accounts of Barnet Holdings have been prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The accounts have been prepared under FRS 102.

The detailed accounting policies are disclosed in note 1 of the notes to the London Borough of Barnet single entity accounts.

3. The Barnet Group Ltd, a Local Authority Trading Company

i) Nature of the business

The London Borough of Barnet contracts with The Barnet Group Ltd for the provision of adult social care services, housing management and homelessness services. The Barnet Group Ltd then contracts on a back to back basis with Your Choice (Barnet) Ltd and Barnet Homes Ltd in respect of adult social care services and housing management and homelessness services respectively. As a result, The Barnet Group Ltd receives the management fee from

Group Accounts

The London Borough of Barnet on behalf of Barnet Homes Ltd and Your Choice (Barnet) Ltd. It also invoices for ad hoc services on behalf of the two companies.

ii) Relationship with the council

Under The Code, The Barnet Group Ltd is deemed a wholly owned subsidiary of Barnet Council. As such, the council is required to consolidate the financial statements of the Barnet Group Ltd with its own (single entity) accounts in order to form group accounts.

iii) Financial performance

In 2017/18 the company made an operating loss of £1.706m (£0.026m loss in 2016/17).

iv) Transactions with the company

The council paid and received from the company £128.169m and £1.466m in 2017/18 for predominantly the provision of housing management services and repair and maintenance works to housing stock (£123.786m and £3.476m in 2016/17) respectively. The outstanding balances owed to and from The Barnet Group Ltd at 31 March 2018 were £11.538m and £7.190m (£5.077m and £12.974m in 2016/17) respectively.

4. Barnet Holdings Ltd

i) Nature of the business

The London Borough of Barnet contracts with Regional Enterprise Ltd for the provision of development and regulatory services in the borough.

ii) Relationship with the authority

Under The Code, Barnet Holdings Ltd, is deemed a wholly owned subsidiary of Barnet Council. As such, the council is required to consolidate the financial statements of Barnet Holdings Ltd with its own (single entity) accounts in order to form group accounts. Barnet Holdings Ltd's single entity accounts have been prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The accounts have been prepared under FRS 102. Barnet Holdings Ltd is exercising the subsidiaries exemption, where the entity is exempt from the requirements of this Act relating to the audit of accounts under section 479A of the Companies Act 2006.

iii) Financial performance

The company has not traded during the financial year. During the current and prior year, the company received no income and incurred no expenditure and therefore made neither profit nor loss.

iv) Transactions with the company

The outstanding balance owed from Barnet Holdings Ltd at 31 March 2018 was £48 (£48 in 2016/17).

Group Accounts

5. Group Cash Flow Statement

The group cash flow statement, prepared in accordance with The Code, forms part of the group accounts. The group cash flow statement shows the movement of cash in and out of the group. However, cash flows relating internally to the group are eliminated as are any intra-group gains and losses. Only cash receipts and payments that flow to and from the group as a whole are included.

6. Pension Reserve

The London Borough of Barnet is required to prepare group accounts consolidating its subsidiaries where they have a material interest in the subsidiaries. The interest in the subsidiaries is considered material due to the respective pension scheme/reserve of the subsidiaries. As such, the relative single entity pension funds, and the consolidated group pension fund are highlighted below:

	2017/18 £'000	2016/17 £'000
Single entity accounts		
London Borough of Barnet	535,146	532,641
The Barnet Group Ltd	30,875	38,088
Total	566,021	570,729

Pension scheme

The assumptions used and the detailed breakdown of the London Borough of Barnet pension liability of £535.146m can be seen in note 37 to the single entity accounts.

The Barnet Group Pension Liability

Net pension liability as at	31 March 2018 £'000	31 March 2017 £'000
Present Value of Funded Obligation	(99,497)	(95,767)
Fair Value of Scheme Assets (bid value)	69,218	58,294
Net liability	(30,279)	(37,473)
Present Value of Unfunded Obligation	(596)	(615)
Unrecognised Past Service Cost	-	
Net liability in statement of financial position	(30,875)	(38,088)

Group Accounts

Reconciliation of the Movement in the Fair Value of Scheme Assets

	2017/18 £'000	2016/17 £'000
Opening Fair Value of Scheme Assets	65,246	48,821
Interest income	1,716	1,847
Return on assets, excluding the amount included in the net interest expense	640	6,897
Contributions by employer including in respect of unfunded benefits	2,556	2,694
Contributions by scheme participants	698	734
Estimated benefits paid including unfunded benefits	(1,638)	(1,699)
Fair value of scheme assets at end of period	69,218	59,294

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2017/18 £'000	2016/17 £'000
Opening Defined Benefit Obligation	96,383	85,335
Current service cost	4,208	2,853
Interest cost	2,546	3,205
Remeasurement gains and losses:		
- Actuarial gains and losses arising from changes in financial assumptions	(2,075)	12,213
- Actuarial gains and losses arising from changes in demographic assumptions	-	914
- Other experience gains and losses	(5)	(7,148)
Estimated funded benefit paid	(1,638)	(1,699)
Contributions by scheme participants	698	734
Unfunded pension payments	(24)	(24)
Closing Defined Benefit Obligation	100,093	96,383

Glossary

For the purpose of compiling the statement of accounts, the following definitions have been adopted:

Accounting policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (i) recognising
- (ii) selecting measurement bases for, and
- (iii) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised, the basis on which it is to be measured and where in the revenue account or balance sheet it is to be presented.

Accounting standards

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practices. These standards make comparability, among other things, possible.

Accrual

The recognition of income and expenditure as it is earned or incurred, as opposed to when cash is received or paid.

Actuarial gains and losses

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

Assets

These can either be:

- Long term (non-current), tangible assets that give benefits to the authority for more than one year.
- Property, plant and equipment assets which are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes.
 - Community assets - assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks.
 - Council dwellings - these are residential properties owned by the council providing homes for social rent.
 - Operational land and buildings – these are owned by the council to provide services to the community. Examples include leisure centres, libraries and museums.
 - Vehicles - these assets are used by the council for the direct delivery of services, for example waste disposal vehicles.
 - Equipment, held by the local authority in the delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objective of the authority.
 - Infrastructure assets - fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of such fixed assets are highways and footpaths that cannot be transferred to another owner.
 - Surplus assets - no longer used by the council and held pending sale or regeneration.
- Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
- Intangible assets - these are usually stand-alone intellectual property rights such as software licences that, although they have no physical substance, provide a benefit for more than the year.

Glossary

Amortisation

A measure of the cost of economic benefits derived from intangible assets that are consumed during the period.

Associate company

An organisation is an associate of a parent local authority where the authority holds a long term, participatory interest and is in a position to exercise a significant but not dominant influence over that organisation.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Billing authority

A local authority empowered to set and collect council tax, and manage the collection fund, on behalf of itself and precepting authorities in its area.

Business Rate Supplement (BRS)

The Business Rate Supplements Act 2009 enables levying authorities – county councils, unitary district councils and, in London, the Greater London Authority - to levy a supplement on the business rate to support additional projects aimed at economic development of the area.

Capital expenditure

Expenditure on the acquisition, construction, enhancement or replacement of a non-current asset, for example schools

Collection fund

The fund, administered by a billing authority, into which council taxes are paid, and from which payments are made to the general fund of billing and major precepting authorities. NNDR collected by a billing authority is also paid into the fund before being distributed to central government and local authorities.

Deferred capital receipts

These represent amounts derived from the sale of assets, which will be received in instalments over agreed periods of time, such as payments from mortgages on the sale of council houses.

Defined benefit scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined contribution scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to employee service in the current year and prior periods.

Depreciation

The measure of the cost of the economic benefit of the tangible fixed asset consumed during the period.

Events after the balance sheet date (post balance sheet events)

Events after the balance sheet date are those events, favourable or unfavourable, that occur between the balance sheet date and the date when the statement of accounts is authorised for issue.

Glossary

Inventories

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

General fund

The account that revenue expenditure and income is charged for the council's services (excluding the HRA).

Government grants

The amounts of money the authority receives from the Government and inter-government agencies to help fund both general and specific activities.

Historic cost

The original cost of the asset when it was first acquired.

Housing revenue account (HRA)

The account which is charged with the income and expenditure for the provision of council housing.

Impairment

A reduction in the value of a non-current asset, greater than normal depreciation, below its carrying amount on the balance sheet.

Joint venture

A joint venture is where a parent local authority holds an interest on a long term basis in an organisation and that organisation is jointly controlled by the local authority and one or more other entities under a contractual arrangement.

Leases

These may be finance leases that transfer the risks and rewards of ownership of an asset to the authority. Alternatively they may be operating leases that are more akin to a hire agreement.

Liabilities

Amounts the authority either owes or anticipates owing to others, whether they are due for immediate payment or not.

Major repairs reserve (MRR)

This reserve is for capital expenditure on HRA assets.

Minimum revenue provision (MRP)

The minimum amount that the council must charge to the revenue account in the year in respect of the repayment of debt.

Non-domestic rates (NDR)

Rates are payable on business premises based on their rateable value and a national rate poundage multiplier. Barnet acts as the "billing authority" for its area and under the localised business rates regime retains 30% of the net yield from business rates with the Greater London Authority receiving 20% and central government the other 50%.

Net book value (NBV)

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Glossary

Operational assets

Non-current assets held and occupied, used and consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

Outturn

Actual income and expenditure in a financial year.

Pension funds

For the Local Government Pension Scheme, these are the funds that invest employers' and employees' pension contributions in order to provide pensions for employees on their retirement and pensions for employees' dependants in the event of death of the employee.

Prior period adjustments

Material adjustments, applicable to prior years, arising from changes in accounting policies, or from the correction of material errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Precept

The amount of income demanded of the collection fund by an authority entitled to such income.

Preceptor

An authority entitled to demand money of the collection fund. The preceptors on Barnet's collection fund are the council itself, the Greater London Authority and the Government.

Provisions

Amounts held against specific potential liabilities or losses where there is uncertainty as to amounts and/or due dates.

Prudential borrowing

Borrowing by local authorities without government financial support, but in accordance with the CIPFA Prudential Code for local authority borrowing.

Prudential Code

A professional code of practice prepared by CIPFA, for the prudential system introduced on 1 April 2004. Local authorities are required by legislation to have regard to this code.

Public Works Loan Board (PWLB)

A Government body that lends money to local authorities for periods in excess of one year, often at preferential interest rates.

Rateable value

Assessment of a property's value from which rates payable are calculated.

Revenue expenditure funded from capital under statute (REFCUS)

REFCUS represents expenditure that may be classified under legislation as capital, but does not result in the creation of a fixed asset on the balance sheet.

Related parties

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iii) the parties, in entering into a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Related party transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserves

Amounts prudently held to cover future financing commitments. Payments to reserves are not counted as service expenditure. Payments from reserves are passed through service revenue accounts unlike provisions which are not. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are described as balances.

Revenue support grant

The main Government grant paid to local authorities. It is intended to adjust for differences in needs between areas so that, if all local authorities were to spend at the level which the Government assess that they need to spend, the council tax would be the same across the whole country.

Substance over form

There is a requirement that the substance (real effect on the authority) of a transaction is reported rather than just actual monetary movements (substance over form) at the time they happen. That is, future liabilities or gains are recognised in the accounts when they are incurred rather than just when paid for or received.


The Code

The Code includes guidance in line with IFRS, IPSAS and UK GAAP Accounting standards, it sets out the accounting practice to adopt for the Statement of Accounts.

Useful life

The period over which the local authority will derive benefits from the use of a fixed asset.

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	<h2>Audit Committee</h2> <h3>17 July 2018</h3>
<p style="text-align: center;">Title</p>	<p>Internal Audit Exception Recommendations Report and Q1 Progress Report 1st April to 30th June 2018</p>
<p style="text-align: center;">Report of</p>	<p>Caroline Glitre – Head of Internal Audit</p>
<p style="text-align: center;">Wards</p>	<p>N/A</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Enclosures</p>	<p>Appendix 1 - Internal Audit Q1 progress report (1st April to 30th June 2018) Appendix 2 - updated Internal Audit Charter</p>
<p style="text-align: center;">Officer Contact Details</p>	<p>Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721</p>

Summary

Members are asked to note the progress against internal audit recommendations and work completed to date on the Internal Audit & Corporate Anti-Fraud Team (CAFT) Plan 2018-19 and high priority internal audit recommendations.

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

		Assurance rating
1	Non-Schools Payroll	Limited
2	Onboarding	Limited
3	Facilities Management	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>

An update to the Internal Audit Charter is also presented as Appendix 2. The Charter was first approved in July 2013, revised in April 2015, July 2016 and April 2017. This is the fourth revision.

When the (PSIAs) were last updated in 2017 they included a requirement for the Chief Audit Executive to discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management (defined as SCB) and the board (defined as the Audit Committee). Presenting the Charter to the Audit Committee today is an opportunity for us to do this.

The Charter has also been updated to reflect the following:

- A change to the audit process whereby we will now issue all final audit reports directly to the Chair of the appropriate Theme Committee (previously we had liaised with Chief Officers to do this)
- A change in that we will now publish all Internal Audit reports on the Council's intranet to better enable officers to access these reports. This is to support officers' ability to keep track of any actions assigned to them and to understand the findings of previous audits in their areas.

Recommendations

- 1. That the Committee note the work completed to date on Internal Audit Q1 progress report - 1st April to 30th June 2018**
- 2. That the Committee approves the updated Internal Audit Charter.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee's role in receiving this report is to note the overall progress made against the 2018-19 Internal Audit Plan and the high priority recommendations made. In addition, the Audit Committee can inquire of Directors and Assistants Directors as to their progress against recommendations.
- 1.2 The Audit Committee's role in receiving the updated Internal Audit Charter is to approve the Charter in line with the requirements of the Public Sector Internal Audit Standards.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Audit Committee approved the Internal Audit Plan 2018-19 in April 2018 and this report notes the progress against that plan and progress against high priority recommendations.

2.2 Compliance with the Public Sector Internal Audit Standards.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Not relevant.

4. POST DECISION IMPLEMENTATION

4.1 The Internal Audit Plan 2018-19 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 2018-19 agreed by the Audit Committee is being achieved from Internal Audit's current budget.

5.3 Legal and Constitutional References

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

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

5.4 Risk Management

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

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

5.5 Equalities and Diversity

5.5.1 Effective systems of audit, internal control and corporate governance provide

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

5.6 Consultation and Engagement

5.6.1 N/A

6. BACKGROUND PAPERS

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

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

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

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

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

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

6.4 The Internal Audit Charter was first approved in July 2013 and updated in April 2015, July 2016 and April 2017. This is the fourth revision.

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

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

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

<http://barnet.moderngov.co.uk/documents/s39175/Appendix%203%20-%20Updated%20Internal%20Audit%20Charter.pdf>

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

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

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Internal Audit – London Borough of Barnet

Appendix 1



Internal Audit Q1 Progress Report 1 April – 30 June 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 2018/19 internal audit plan

1.2.1 We have completed 14 reviews and delivered 41% of our 2018/19 internal audit programme for the year, which is slightly below our target of 43% for Q1. This is because there was a high number of audits approaching completion during Q1, including any audits from 2017/18 that were still to be completed.

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:

- **Non-Schools Payroll** – Limited Assurance
- **Onboarding** – Limited Assurance
- **Facilities Management** – 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 30th June 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 35 high priority actions have been followed up this quarter. 18 actions have been implemented (51%) and 17 have been partially implemented (49%). This is below the target of 90% being implemented.
- At time of writing this report, we had not yet concluded our follow-up work on Facilities Management. We will give a verbal update to the Audit Committee as to progress in this area.

Progress is summarised in Section 5.

1.4 Other Matters

1.4.1 Family Services audits

As part of the 2018/19 audit plan agreed by the Audit Committee in April 2018, we proposed to continue the 'embedded assurance' approach adopted in 2017/18 after the Ofsted inspection in May 2017.

During Q1 we have:

- 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.
- Within our cross-cutting audit of Onboarding, included a review of the evidence to support performance against the Improvement Plan action 2c (iii), 'Improve recruitment system to be more effective and efficient enabling'.
- Agreed to undertake a review of the evidence supporting the 'Bureaucracy busting' workstream, action 2 c (v), 'Review of bureaucracy across the Council and the Service to ensure that systems are efficient and effective to support the social work task.

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 2018/19 Internal Audit Programme.

2.0 No and Limited Assurance reports issued since the previous meeting


2.1 Non-Schools Payroll

March 2018

Number of findings by risk rating

Critical	0
High	1 (Finding 1)
Medium	8 (Findings 2-9)
Low	2
Advisory	0

Summary

Department	Overall Opinion 2017/18	Overall Opinion 2016/17		Direction of Travel	Number of controls tested	Controls where operating exceptions were found		Control design exceptions found		Comments
						2017/18	2016/17	2017/18	2016/17	
Non-schools' payroll	Limited	Reasonable	●		11	8	3	4*	2	*The two control design issues noted in the previous period have not yet been fully resolved.

The high and medium risk findings are summarised below.

Control Ref	Control Tested	Exceptions	Exception details
P5	<p>Standing data form</p> <p>Modifications to standing data are reviewed for completeness, accuracy and authorisation by an appropriate level of management.</p>	<p>1</p> <p>4%</p>	<p><u>Control Operating Effectiveness – High Risk</u></p> <p>A sample of 25 changes to standing data processed between 1 February 2017 and 31 December 2017 were tested. This sample included ten mover's forms, nine changes to bank details and six salary/hours changes. We identified the following exception:</p> <ul style="list-style-type: none"> 1/25 (4%) of bank details changes were not supported by documentation. An amendment to bank details was made so that a severance payment with a value of £6,630 would be made to a relative of the employee, however this amendment was requested by the relative rather than the employee. There was no evidence that the employee had confirmed this request, or that there

				<p>was Power of Attorney in place which would allow the relative to make this request on their behalf.</p> <p>Agreed Actions:</p> <p>Written guidance around changes to standing data will be developed (see finding P13), which will highlight that no changes can be made to bank or address details without the explicit, written agreement of the individual concerned, or their legal proxy. The process of drafting the guidance will include consideration of whether the existing controls are sufficiently robust. If control weaknesses are noted, additional controls will be put in place to strengthen the process.</p> <p>Responsible Officer:</p> <p>Payroll Team Manager</p> <p>Target Date:</p> <p>31/08/2018</p>
P1	<p>Payroll reconciliation between payroll and GL (control performed by the Finance team)</p> <p>Reconciliations are performed on a monthly basis. They are performed by an appropriate member of the finance team and reviewed by a senior member of the finance team.</p>	<p>②</p> <p>100%</p>	<p><u>Control Operating Effectiveness – Medium Risk</u></p> <p>We requested a sample of two reconciliations performed between 1 February 2017 and 31 December 2017 (the reconciliations for August and December 2017). We were informed that due to staffing pressures, this did not take place on a monthly basis during 2017/18. A reconciliation between payroll and the general ledger is carried out as part of year end finance processes.</p> <p>Management Response and Agreed Action:</p> <p>Management will reinstitute a monthly process for 2018/19 to ensure that the payroll system and general ledger are reconciled and any discrepancies are investigated in a timely manner.</p> <p>Responsible Officer:</p> <p>Payroll Team Manager</p> <p>Target date:</p> <p>31/07/2018</p>	

	P3	<p>Starter form</p> <p>Starter forms with relevant information are fully completed and authorised by an appropriate member of staff (as per the scheme of delegation) who is different to the preparer.</p>	<p>3</p> <p>12%</p>	<p><u>Control Design and Operating Effectiveness – Medium Risk</u></p> <p><u>Control Design</u></p> <p>On occasion, the addition of new individuals to payroll is expedited to meet payroll deadlines for the month without a new starter form having been received. A form should still be created for all new starters and all new starter forms should be returned to the HR Admin inbox. As this process is usually used to trigger the addition of a new staff member to payroll, if a staff member has already been added to payroll there is no mechanism to identify non-completion of the new starter form.</p> <p>Agreed Action:</p> <p>Management will enforce the requirement that no new starters are added to payroll unless a new starter form has been received. This will apply to last minute additions to payroll where exceptions have historically been made and no exceptions will be tolerated in future.</p> <p>Responsible Officer:</p> <p>Payroll Team Manager</p> <p>Target Date:</p> <p>31/07/2018</p> <p><u>Operating Effectiveness</u></p> <p>A sample of 25 starter forms processed between 1 February 2017 and 31 December 2017 were tested. We identified the following exceptions:</p> <ul style="list-style-type: none"> • 2/25 (8%) starters had starter forms which were prepared and authorised by the same person. As a result, there was no segregation of duties in place around these starter requests. In both cases, the authoriser was the relevant budget holder. • 1/25 (4%) starters had no starter form relating to the period of employment under review. The individual had previously been employed by Barnet and had re-joined in the same post, however there was a five-month period in between where they had not been a Council
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				<p>employee. A starter form should exist for each discrete period of employment. The HR business partner for the service area provided email evidence that a form had been requested, however as the form was to be returned to the HR Admin inbox rather to the HR business partner, there was no mechanism in place for non-completion to be identified or followed up on. See control design finding in section 4 below.</p> <p>Agreed Actions:</p> <ol style="list-style-type: none"> 1. The new starter form will be amended to explicitly require two different signatories to demonstrate segregation of duties around preparation and approval of new starter requests and ensure that no forms can be processed without evidence of this. 2. A starter form will be retrospectively created relating to the individual in our sample who did not have a new starter form. <p>Responsible Officer: Payroll Team Manager</p> <p>Target Date: 31/08/2018</p>
	P4	<p>Leaver form</p> <p>Leaver forms have adequate backing information and are checked and authorised by the HR manager before being received by payroll and processed in the payroll.</p>	<p>4</p> <p>16%</p>	<p><u>Control Operating Effectiveness – Medium Risk</u></p> <p>A sample of 25 leavers between 1 February 2017 and 31 December 2017 were tested. We identified the following exceptions:</p> <ul style="list-style-type: none"> • 3/25 (12%) leaver forms were completed and authorised after the leaving date. No overpayments to these leavers were noted. • 1/25 (4%) leaver form was undated. As such, it cannot be confirmed whether the request and authorisation occurred before or after the individual's leaving date. <p>These exceptions are because managers in the Council have not followed procedure. The exceptions are thus outside of the</p>

				<p>payroll team's control, as the payroll team cannot action leavers until they are notified.</p> <p>Agreed Actions:</p> <ol style="list-style-type: none"> 1. Management will remind staff of the importance of submitting leaver forms prior to the leaving date. 2. As agreed in the Non-Schools Payroll audit in June 2017, CSG Management will report on the instances of late Leaver Form submissions and the financial impact of these late submissions to Council management. 3. Management will consider the introduction of sanctions for managers who are unable to demonstrate that there was a valid reason not to send a form in prior to the leaving date (e.g. the employee left without giving notice). This could be linked to managers' corporate objectives around managing budgets. <p>Responsible Officer: Payroll Team Manager and HR Strategic Lead (action 3)</p> <p>Target Date: 31/08/2018</p>
	P6	<p>System access</p> <p>Payroll system access is reviewed on a regular basis and access is only granted to appropriate members of staff.</p>	<p>Not tested – control design issue identified</p>	<p><u>Control Design – Medium Risk</u></p> <p>The control design issue identified during 2016/17 has not been remedied and we were not able to test the operation of this control.</p> <p>We requested evidence to demonstrate that a quarterly user access report is sent to each team involved with payroll processing for review and amendment. Management were unable to provide us with evidence that this had happened for the periods requested (covering August and December 2017) and as such we were not able to confirm the operation of this control. Management confirmed that the reviews had happened, however they stated that the relevant emails had been archived before the date of audit. They were able to show us emails relating to a user access review which took place in February 2018. This demonstrated that the action agreed in 2016/17</p>

				<p>around retaining an audit trail of user reviews has not been consistently implemented.</p> <p>Management did not provide evidence of the monthly user reports covering starters and leavers which were agreed as an action in 2016/17.</p> <p>Agreed Actions:</p> <p>Payroll system access reports, showing all employees who have access to Core, will be run on a periodic basis and reviewed by the service to ensure that access is only granted to appropriate members of staff and where necessary access to the system has been removed. An audit trail of this review will be retained.</p> <p>A new Monthly User Report will be produced that confirms every new starter and leaver in the month on the Barnet Contract and that access rights to Core have been appropriately updated.</p> <p>Revised Implementation date: 31/08/2018</p> <p>Responsible Officer: Payroll Team Manager</p>
	<p>P9</p>	<p>Overtime payments</p> <p>Overtime payments are at the correct rate, within agreed limits and authorised in line with the scheme of delegation prior to payment. Evidence is retained to demonstrate authorisation.</p>	<p>Not tested – control design issue identified</p>	<p><u>Control Design – Medium Risk</u></p> <p>The control design issue identified during 2016/17 has not been remedied and we were not able to test the operation of this control.</p> <p>We requested evidence to demonstrate that the issues identified at audit in 2016/17 had been remedied. Management confirmed that it is now possible to approve overtime within Core, however system users confirmed that there is an issue within the process which means that overtime which is not approved within a short window of time disappears from the system and has to be re-entered into Core. This overtime can then end up being recognised in the incorrect period. Due to this issue, Core is not currently being used to process overtime payments by all service areas. As such, the first recommendation is deemed not to have been fully implemented.</p>

				<p>The total value of overtime payments in 2017/18 amounted to £1,061,687.</p> <p>Monthly exception reports (P7) are carried out which will identify variances of over £100, including overtime payments, for investigation. This is deemed to be an adequate control in this area and the second recommendation is deemed to have been implemented.</p> <p>Agreed Actions:</p> <ul style="list-style-type: none"> a) A workshop will be carried out with service areas which are not currently processing overtime through Core to ensure that barriers to use of the system are understood and that mitigating actions can be identified. b) A subsequent plan will be discussed and agreed with the Council to mandate a standardised control process across the Council for overtime. <p>Revised Implementation date: 30/09/2018</p> <p>Responsible Officer: Payroll Team Manager</p>
	<p>P10</p>	<p>Sick Pay</p> <p>Sick pay adjustment is made in line with sick pay policy when CSG receive an appropriately approved 'Notification of sick leave' form. Sick pay is ended when CSG receive an appropriately approved 'Notification of return to work' form.</p>	<p>Not tested – control design issue identified</p>	<p><u>Control Design – Medium Risk</u></p> <p>A control design issue has been identified relating to this control.</p> <p>Sick leave should be authorised by managers within Core. Evidence should be retained to demonstrate authorisation. There is no consistent mechanism for retention of sickness certification documentation across departments. Payroll are not consistently able to access underlying sickness certification documentation signed off by managers, and as a result they are not able to verify the accuracy of sick leave dates within Core.</p> <p>CSG Payroll management confirmed that at the moment there is no facility for Managers to upload evidence directly to Core. Managers are responsible for the record keeping in relation to absence and as such may therefore keep records at a local</p>

				<p>level. Some choose to send documents to HR, but this is not required.</p> <p>Agreed Action:</p> <p>Management will require all sick leave documentation to be sent to HR to ensure that supporting evidence for sick leave is retained centrally and an audit trail can be maintained.</p> <p>Responsible Officer:</p> <p>Strategic HR Lead</p> <p>Implementation date: 30 September 2018</p>
	P12	<p>Overpayments</p> <p>Overpayments are invoiced in the case of leavers and recovery action is performed or adjusted for in the following month's pay in the case of employees.</p>	<p>3</p> <p>60%</p>	<p><u>Control Operating Effectiveness – Medium Risk</u></p> <p>We requested a sample of five overpayments between 1 February 2017 and 31 December 2017, with a value of £13,635. The total value of known overpayments in the period was £98,103. We identified the following exceptions:</p> <ul style="list-style-type: none"> • 1/5 (20%) of overpayments were not chased within three months of the notification date of the overpayment and had not yet been repaid at the date of audit. This overpayment had a value of £3,371. • 1/5 (20%) of overpayment chaser letters requested a repayment amount that did not agree to the amount owed (there was a difference of £388 between the two figures). The full amount was received and as a result there was no monetary impact. <p>We were also provided with evidence that one overpayment which did not form part of our sample with a value of £1,854 was absorbed by the budget holder as it was due to an error on the part of HR/payroll and they did not feel that it was fair to require repayment from the former member of staff. No evidence was provided to demonstrate that payroll staff verified that this was a legitimate and approved write-off or that the budget holder had the authority to make this decision before closing the chasing process for this debt. In addition, no evidence was provided that the Council's HR Lead had been</p>

			<p>alerted that an error had been made by HR/payroll that had a financial impact on the Council.</p> <p>Agreed Actions:</p> <ol style="list-style-type: none"> 1. LBB will agree a clear documented approach for chasing debt and follow this in all cases. 2. Debt chasing letters will be completed using blank templates, rather than by rolling forward earlier letters, to avoid errors in the amount of repayment being sought. 3. Where overpayments are not recoverable and this is due to HR/payroll errors, a clear agreement will be reached on where the cost of any losses should be borne. 4. Council management will establish, in conjunction with the Council's S151, its position for recovery of overpayments and write-offs. CSG will include reporting of any overpayments and the recovery progress in monthly performance reporting. <p>Responsible Officer: Payroll Team Manager and Strategic HR Lead</p> <p>Target Date: 30/09/18</p>
P13	<p>Policies and procedures</p> <p>Policies and procedures are reviewed regularly to ensure they are accurate, complete and kept up to date. Policies and procedures are clearly documented and communicated to staff.</p>	<p>⑦</p> <p>58%</p>	<p><u>Control Operating Effectiveness – Medium Risk</u></p> <p>Management provided us with the following policy and procedure documentation:</p> <ul style="list-style-type: none"> • Monthly payroll processing runsheet • Unified Reward Policy • Absence Management Policy

			<p>All of these had been updated within the last two years.</p> <p>These documents covered or referred to 5/12 (42%) controls tested:</p> <ul style="list-style-type: none"> • P2 – BACS reconciliation • P7 – exception reporting • P8 – control totals • P9 – overtime payments • P10 – sick pay <p>7/12 (58%) of the controls reviewed at audit were not covered by the policies and process documents provided:</p> <ul style="list-style-type: none"> • P1 - reconciliation between payroll and general ledger • P3 – starters • P4 – leavers • P5 – changes to standing data • P6 – systems access to Core • P11 – holiday pay • P12 - overpayments <p>Agreed Actions:</p> <p>Existing policies and process documents relating to Payroll will be reviewed by the Council and updated to reflect the current legislative context and practice at the Council. Where areas are identified which are not covered by current policies and procedures, management will create process notes to ensure that the Council's approach to payroll can be clearly communicated to staff and continuity of practice can be maintained in the event of staff turnover. All policies will be reviewed on an annual basis and updated if necessary.</p> <p>Responsible Officer:</p> <p>Payroll Team Manager</p> <p>Target Date:</p> <p>31/08/2018</p>
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2.2 Onboarding

June 2018

Number of findings by risk rating

Critical	0
High	1 (Finding 1)
Medium	3 (Findings 2-4)
Low	0
Advisory	1

Summary

Onboarding is the process by which the most suitable new starters are recruited and integrated into the established culture and operations of the Council to optimise the achievement of the Council's objectives.

As part of the Ofsted Improvement Plan the target timescale for recruitment within Family Services (FS) is 60 working days from conditional offer to employee start date.

This review assessed control processes from the decision to recruit until the induction of new Council starters.

We identified the following issues as part of the audit:

- **New Starter Induction (Finding 1, High)** – We were unable to confirm attendance at Induction training for 14/19 (74%) of our sample of new starters. Non-attendance for induction sessions is not alerted to the responsible line managers. A 'Site Welcome Pack' for new starters, prepared by the Estates Facilities Management team and covering key areas including fire emergency health and safety procedures, is not communicated to new starters.
- **Interview and Selection Process (Finding 2, Medium)** – Declaration forms are not always signed and sent to HR, as per the Recruitment and Selection Policy. Evaluation forms are not regularly completed during interviews and sent to HR for retention.
- **Evaluation: Performance Management (Finding 3, Medium)** - Key dates for various stages of the evaluation process are not always recorded by HR. Performance measurement of the timeliness of the evaluation process is currently not in place outside of Family Services.
- **Pre-employment checks (Finding 4, Medium)**- Documents retained by the Council are not always date/time stamped to confirm that originals were seen.

Actions have been agreed with management to be implemented by the end of September. We will follow up to confirm implementation of the high priority action and report back to Audit Committee as to progress in November.

2.3 Facilities Management

June 2018

Number of findings by risk rating

Critical	0
High	2 (Finding 1-2)
Medium	2 (Findings 3-4)
Low	2
Advisory	0

Background

Facilities Management is delivered at the Council through the Customer and Support Group (CSG), a contract between the Council and Capita. The Facilities Management Team provide a number of services within the CSG contract for the seven maintained sites within the Council estate (North London Business Park (Buildings 2 and 4), Barnet House, Hendon Town Hall, Oakleigh Road Depot, Friary House and Colinhurst House).

Summary of Findings

During our audit, we noted that a number of actions had been taken by CSG Estates to improve the work of the Facilities Management Team including:

- The Hornbill system went 'live' in October 2017 to support incident resolution and performance measurement;
- Regular reports of budget positions were included in Monthly CSG Estate Services Performance Reports to assist with oversight of budgetary position;
- The role of Facilities Manager had been filled with a permanent member of staff to support Facilities Management and reduce the risks associated with a single point of failure within the Team; and
- We also noted that management had identified improvements to be made regarding policies and process documents, such as the creation of welcome packs for new custodians and new officers to the Council. The Team has also recognised the need to upload policies in a central location within BarnetWork (the Council's Intranet). We found evidence that management were working towards implementing these actions.

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

We identified the following issues as part of the audit:

- **Data Quality – KPI CSG 25: Incident Resolution (finding 1, 'high' risk rating)** – The Facilities Management Team report on incident resolution through KPI CSG 25 (Incident Resolution). This is the only KPI in place specifically regarding Facilities Management, which was forecast to spend £6.4m in 2017/18. We noted that outturn had historically been reported as 100%. Where the outturn is under 100% the Council is entitled to a service credit.

We noted the following issues:

- The KPI definition requires for jobs to be categorised according to resolution time; however, we found that there was no definition of reporting categories and their agreed rectification times. All requests in 2017 were reported as requiring a resolution in 48 hours.
- Management confirmed that incidents could be placed on 'hold' when there is a delay outside the control of Facilities Management but we noted there was no definition or clear expectation of reasons to place incidents on hold.
- We selected 11 jobs which were completed in October and November 2017 and found that:
 - 1/11 (9 %) incidents were reported as closed but had not been resolved in February 2018. Management confirmed that this incident requires the input of the Landlord which is outside CSG's control but this issue had been escalated with them. We found there is no agreed protocol in place for resolving issues with the Landlord;
 - 1/11 (9 %) requests related to a potential health and safety issue regarding a chair. Although this job was resolved in under an hour which suggested that jobs were being prioritised, it had not been escalated to a higher priority and was classed as a 'P4' which required resolution within 48-hours; and
 - 1/11 (9 %) requests required the procurement of materials and required two people to be present at the site. We found that the job was placed on hold for 19 days. Management confirmed that some of this delay was due to a key member of staff being on annual leave which delayed the acquisition of parts and two officers not being available to complete the job.
- **External contractors (finding 2, 'high' risk rating)** - We noted the following issues:
 - We found that there was a lack of audit trail linking incidents raised on Hornbill with Permit to Work (PtW) forms and subsequent Purchase Order (PO) numbers and invoices raised by contractors. This meant that in some instances we were unable to confirm controls were operating as expected.
 - We were informed that standard practice for resolving incidents using external contractors is to raise a purchase order for £250, which is approved by the CSG Estates Team. The contractor attends the site and subsequently raises an invoice for the correct amount, in line with a schedule of works. We considered that there was the potential for work to be agreed by CSG Estates without a detailed knowledge of the final cost to the Council;
 - We selected five jobs which required the use of an external contractor:
 - For 4/5 (80%) there was no evidence to support Facilities Management approval of invoices to confirm that goods and services has been received prior to payment; and

- For 1/5 (20%) jobs we could find evidence of two invoices which were for the same amount (£124.00) and same job completed date in addition to many similar details within narrative fields. Whilst we found Facilities Management approval to pay one of the invoices, due to the lack of audit trail between jobs raised on Hornbill and invoices we were unable to conclusively state whether payment had been made twice for the same job.
 - We were informed that payments over £250 require the authorisation of a suitable Approver but for one payment of £368.94, it was identified that no evidence to confirm the relevant Project Manager approved goods and services had been received prior to payment.
- **Budget monitoring (finding 3, 'medium' risk rating)** – During the time of our fieldwork we noted that the Facilities Management managed budget for 2017/18 was £3.87m but in December 2017 was forecast to spend £4.91m (an overspend of 27%).
 - **Roles and responsibilities:** During our review, we found there was a lack of clarity regarding the named Budget Holders and Budget Managers, whether budgets were monitored using Integra BDM and roles and responsibilities in approving works/invoices and the monthly budget monitoring process. This led to confusion when we made requests for evidence and conflicting views on the design and operating effectiveness of the controls in place, requiring additional audit resource to complete the review.
 - **Budget Monitoring Process:** We were informed by Management that the Estates budget monitoring process does not occur within the Integra BDM module, but that the following monthly budget monitoring cycle process was in place. We were informed that:
 - CSG Operations sends the Client Lead for Estates a spreadsheet containing the actuals and forecasts for financial year to date;
 - The CSG Operations Manager and the Client Lead for Estates meet to discuss the spreadsheet and its contents. Any discrepancies between forecast and actual are discussed along with the identification of savings. There is an expectation that the Head of Estates and Head of Building Services will attend the meeting quarterly; and
 - Actions arising from the meeting are compiled and circulated to the attendees.

We selected three months from the financial year of 2017/18 and sought to verify that the budget monitoring was happening in line with the expectations described to us above. We found that:

- For 1/3 (33%) months we considered that the Budget Monitoring was not completed in line with expectations described to us. Whilst we found evidence of the CSG Operations Manager and CSG Finance meeting to discuss the Annual Work Plan we were informed this impacted on the Building Services budget rather than

Facilities Management. We also saw evidence to confirm forecast versus actual being reported in the Monthly Estates Services Report. However, we could not be supplied with evidence of what was discussed at the meeting, involvement of the Council or if any actions were raised as a result of the meeting.

- **Identification and monitoring of savings:** We considered that improvements could be made to the controls in place to document and support regular monitoring of budgets and devising a systematic and coordinated approach to identifying savings and monitoring them being achieved.

- **Policies and Procedure Documents (finding 4, 'medium' risk rating)** - We noted the following issues:
 - **Policies in Place:** We selected seven areas of the output specification (Schedule 1) of the CSG contract and asked to inspect the procedure documents in place for these areas. We also reviewed other procedures referred to within these documents. We found that there were significant errors within some of the documents, for example:
 - The Facilities Management Welcome Starter Pack for New Employees for North London Business Park showed the fire evacuation point as Barnet House;
 - There was no Facilities Management Welcome Starter Pack for Oakleigh Road Depot;
 - Fire and Bomb Evacuation Procedures only covered North London Business Park and Barnet House; and
 - Dynamic Lockdown Procedures only covered Barnet House and Hendon Town Hall.

We also found that some policies were not freely available to on the intranet, had not been reviewed recently or in-line with their review date and documents were not in place for each building within the Managed/Maintained Estate.

Management accepted our findings and agreed appropriate actions to be implemented by 30 June 2018 in the majority of cases. As this fell within Q1 we have followed up to confirm implementation, see section 5.0 Follow-Up.

3.0 Management Reviews

3.1 Teachers Pensions – Statutory Returns

Summary

End Of Year Certificate (EOYC) submission

This review focussed specifically on the completion of the EOYC statutory return by the 31 May 2018 deadline. The EOYC process is an annual exercise undertaken by employers to provide assurance to the Secretary of State that the contributions collected and submitted are correct.

The EOYC was provided to the CFO on 31 May 2018 who endorsed submission to TP on the same date. The statutory deadline was met, however the EOYC was not provided sufficiently in advance of the 31 May deadline to allow for any certification of figures by the CFO. The CFO also confirmed that he had not been sufficiently updated on progress towards completion of the EOYC prior to the 31 May deadline.

We understand that pension contributions for Council maintained schools who use Capita as their payroll provider were all reconciled while reconciliations of pension contributions of schools using their own payroll providers could not be reconciled at 31 May, an issue which has arisen in previous years and was one of the factors that resulted in the Teachers Pensions grant claim being qualified by external audit in 2016/17. We understand that this has arisen owing to delays in the provision and retrieval of TP information from payroll providers of schools not using Capita's payroll service. At 31 May 2018, there was an unreconciled amount of £ -1,278,318.

Control

In terms of control processes, responsibility for the completion, reconciliation and certification of TP statutory submissions and the submission dates were clearly defined in the "Payroll Guide" provided by Capita for our review. We queried the existence of documented procedures governing completion at an operational level and were informed by the responsible officer that there were more detailed internal processes covering the preparation and checking of TP reconciliations. These were requested by us but were not provided.

However, while responses were provided periodically to our requests for information we were not provided with sufficient evidence of the reconciliations between EOYC and source data and related controls to provide assurance to the CFO on the effectiveness of related processes to ensure that the reconciliations and submission were accurate and complete at 31 May 2018. At this stage, we are therefore unable to report an assurance level on the control processes planned for review in Phase 1.

We will roll this work into Phase 2 of the TP review to be undertaken in July 2018.

In the interim, we recommend that:

1. The CFO be given more detailed progress updates on the completion of TP statutory returns in advance of submission to TP in line with a mutually agreed plan of work.
2. Detailed operational procedures - possibly in the form of a process flowchart - defining the roles and responsibilities for the collection, collation and reconciliation of the TP data from schools, including those schools using their own independent provider, be provided to the CFO for referral where necessary.

Management Response

We will ensure that the CFO is informed and updated at regular intervals from 1st April each year covering the progress and stage of the End of Year Certificate preparation and any problems encountered, in line with a documented plan of work to be mutually agreed by 31 August 2018.

On a monthly basis we will also inform the CFO of any issues or delays in the provision of contribution data by third-party payroll providers. Any delays experienced by third-party schools or providers will be chased initially by Capita and then raised with the CFO if no data is returned or further delays are experienced.

The internal processes and documentation will be reviewed, and the suggested process flowchart implemented for the benefit of Capita, the CFO and Auditors. We will ensure this cover everything suggested, from roles and responsibilities through to a full timeline of the stages of collation, preparation and completion.

Responsible Officer

Payroll Manager, CSG

Deadline

31st August 2018 for full process review and process flow chart implementation.

4.0 Progress against plan

Note that where audits from the 2017/18 audit plan are not complete at the end of Q1 in 2018/19, we will continue to monitor progress against these during 2018/19 and the outcome of these reviews will inform the 2018/19 Head of Internal Audit annual opinion.

Stage	Name of review	Report classification	Total findings	Ratings				
				Critical	High	Medium	Low	Advisory
Quarter 1								
Complete	Non-Schools Payroll	Limited	11	-	1	8	2	-
Complete	Onboarding	Limited	5	-	1	3	-	1
Complete	Facilities Management	Limited	6	-	2	2	2	-
Complete	Housing Benefit	Reasonable	6	-	1	1	4	-
Complete	Review of new Depot arrangements	Reasonable	6	-	1	1	3	1
Complete	Emergency Planning	Reasonable	6	-	-	5	1	-
Complete	Pardes House School	Reasonable	8	-	-	2	6	-
Complete	St. Agnes Catholic School	Reasonable	7	-	-	2	5	-
Complete	Brookland Infant School	Reasonable	6	-	-	2	4	-
Complete	Teachers Pensions – Statutory returns	Management letter issued (see section 3.0)						
Complete	Income Generation – benchmarking report (Advisory)	Management letter issued						
Complete	Live Unlimited Charity – Financial Controls (Advisory)	Management letter issued						

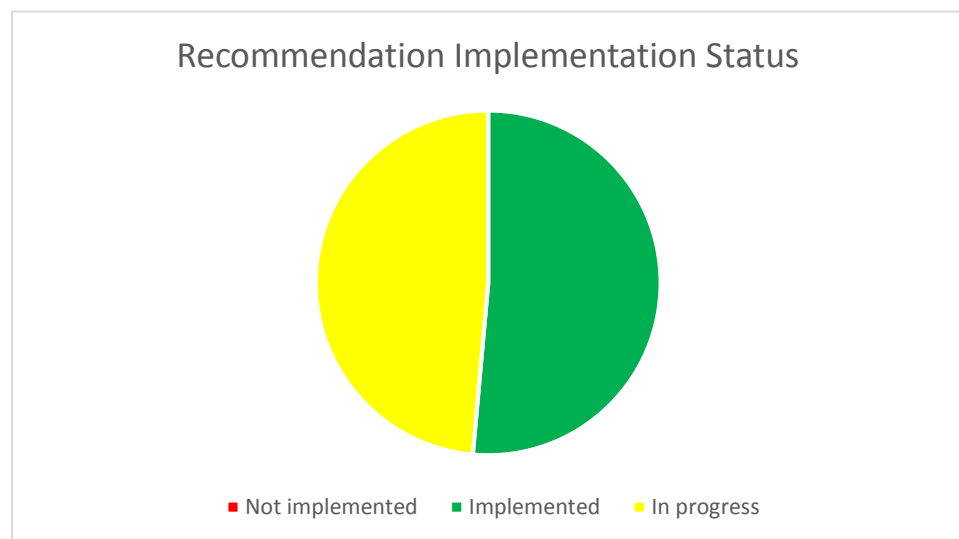
Complete	Pensions Admin follow-up (Phase 1)	Management letter issued, progress against high priority actions due was reported to Audit Committee in April						
Complete	Troubled Families - Payment by Results – June submission	Claim verified						
Draft Report	IT Governance – Strategic Decision Making	TBC	-	-	-	-	-	-
Draft Report	Contract Management - Sport & Physical Activity (SPA)	TBC	-	-	-	-	-	-
Draft Report	Freedom Passes	TBC	-	-	-	-	-	-
Draft Report	Temporary and Interim Workforce	TBC	-	-	-	-	-	-
Draft Report	Tudor School	TBC	-	-	-	-	-	-
Draft Report	St. Andrew's School	TBC	-	-	-	-	-	-
Draft Report	Brookland Junior School	TBC	-	-	-	-	-	-
Fieldwork	Highways Programme	TBC	-	-	-	-	-	-
Fieldwork	Transformation - Customer Transformation Programme	TBC	-	-	-	-	-	-
Fieldwork	Equalities	TBC	-	-	-	-	-	-
Fieldwork	Business Continuity	TBC	-	-	-	-	-	-
Fieldwork	Health & Safety in Project Management	TBC	-	-	-	-	-	-
Fieldwork	Moss Hall Infant School	TBC	-	-	-	-	-	-
Planning	Domestic Violence	TBC	-	-	-	-	-	-
Planning	Better Care Fund	TBC	-	-	-	-	-	-
Planning	Follow-Up of CFO Financial Controls review	TBC	-	-	-	-	-	-

Planning	General Ledger	TBC	-	-	-	-	-	-
Planning	Integra controls review Note: previously titled 'Integra Issue Management' within the audit plan	TBC	-	-	-	-	-	-
Planning	Banking & Payment Arrangements Note: previously included within the audit plan as Accounts Payable and Cash & Bank	TBC	-	-	-	-	-	-
Planning	Re Operational Review follow-up	TBC	-	-	-	-	-	-
Planning	Highways DLO	TBC	-	-	-	-	-	-
Planning	Pensions Admin Follow-Up Phase 2	TBC	-	-	-	-	-	-
Planning	Elections Quality Assurance (Advisory)	TBC	-	-	-	-	-	-
Cancelled	Transformation Q1 Cancelled as the Transformation portfolio has reduced compared to previous years, therefore one review in Q3 considered sufficient. Outline Business Cases for the Priorities and Spending review will be ready at start of 2019/20, to conduct further reviews of Transformation then	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 confirmed as being implemented, in progress or not implemented.



5.3 Outstanding actions

5.3.1 During this period we followed up 17 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. Regeneration – Benefits Realisation (October 2017)	Benefits identification and definition 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.	In progress In Q4 of 2017/18 we reported that this action was considered implemented for Regeneration and Strategic Planning but was 'in progress' for Brent Cross. We found evidence to support that the Project Management Office Coordinator for the Programme had attended the Benefits Realisation workshops and we noted that at that time the Project Execution Plan was being updated. In Q1, 2018/19, we found that a benefits tracker for the	Brent Cross Programme Director, Re	Original: 28 February 2018 Revised: 31 May 2018 2nd Revised: 30 September 2018

	<p>c) The Council and Re will consider whether this recommendation is applicable to other projects across the Regeneration Programme.</p>	<p>Brent Cross scheme had been initiated and had been populated with some benefits. The benefits needed further description to clearly articulate, for example, measurement methods, owners and targets</p> <p>Management confirmed that the benefits tracker would be finalised by September 2018 so that the delivery and achievement of benefits can be monitored. Reports regarding benefits will then be provided to the monthly LBB/Brent Cross Governance Boards and also at the bi-monthly public sector partners Assurance Board meetings.</p> <p>We noted that a recent review by the Infrastructure and Projects Authority raised an action on the Brent Cross programme to develop a benefits plan to ensure that benefits are tracked and monitored effectively.</p> <p>Further action for full implementation:</p> <ol style="list-style-type: none"> 1. Create and formally approve Benefits Realisation Trackers; 2. Identify dis-benefits; 3. Report Regular update on the Brent Cross Monthly Progress Report (MPR) to the client (LBB) review 4. Realise benefits and dis-benefits by the end of financial year 2018/19 		<p>Benefits Realisation: F/Y 2018/19</p>
<p>2. Regeneration – Benefits Realisation (October 2017)</p>	<p>Benefits monitoring, measurement and realisation</p> <p>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 	<p>In Progress</p> <p>As above</p>	<p>Brent Cross Programme Director, Re</p>	<p>Original: 28 February 2018 Revised: 31 May 2018</p> <p>2nd Revised: 30 September 2018</p> <p>Benefits Realisation:</p>

	<p>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.</p> <ul style="list-style-type: none"> • 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 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. • 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>c) The Council and Re will consider whether this recommendation is applicable to other projects across the Regeneration Programme.</p>			<p>F/Y 2018/19</p>
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<p>3. S106 and CILS Expenditure</p> <p>January 2018</p>	<p>Roles, Responsibilities and Decision Making</p> <p>The Schemes of Delegation will then be followed when CIL and S106 funding is drawn down i.e. depending on value this will be decided by the appropriate Area Committee / Chief Officer / Summary DPR to enable funds to be spent effectively and efficiently.</p>	<p>In Progress</p> <p>Management confirmed that the revised Schemes of Delegation would be used going forward.</p> <p>As the Schemes of Delegation had not been updated until the end of June 2018, we have not been able to verify that they are operating effectively, so we will review the action's implementation status in Q2, 2018/19.</p>	<p>Assistant Director of Finance, CSG</p>	<p>Original: 30 April 2018</p> <p>Revised: 30 September 2018</p>
<p>4. S106 and CILS Expenditure – Limited Assurance</p> <p>January 2018</p>	<p>S106 and CIL expenditure and monitoring</p> <p>RE and LBB management will agree a strategy for transferring non-priority S106 agreements from excel into EXACOM. On the transfer of data from RE management will ensure that:</p> <ul style="list-style-type: none"> • all relevant S106 agreements are held on file; • all relevant fields within EXACOM are correct and match S106 agreements; and • all relevant fields with EXACOM accurately provide details of how funds have been applied. 	<p>In Progress</p> <p>We were not supplied with an agreed strategy between LBB and Re to transfer non-priority S106 agreements into EXACOM, including where S106 agreements are currently not held on file and therefore consider this action 'in progress'.</p> <p>Management confirmed that:</p> <ul style="list-style-type: none"> - All applications recorded as 'granted subject to legal agreement' had been pulled though into EXACOM - There are some S106 agreements which have not been located. Re are in contact with HBPL and Records Management to locate agreements and searching historic emails and the shared drive. - Discussions with Development Management are underway to ascertain whether S106 agreements can be published on the planning access website, which would assist with the administration of the agreements. <p>Further action required for full implementation:</p>	<p>Commissioning Lead – Planning, LBB</p> <p>Head of Strategic Planning, RE</p>	<p>Original: 30 April 2018</p> <p>Revised: 30 September 2018</p>

		<ul style="list-style-type: none"> - RE and LBB management will agree a strategy for transferring non-priority S106 agreements from Excel into EXACOM and to ensure all S106 agreements are held on file. 		
<p>5. S106 and CILS Expenditure – Limited Assurance</p> <p>January 2018</p>	<p>Specific development non-financial obligation tracking and verification</p> <p>RE Management will complete their historic reconciliation of non-financial obligations and start to take any action necessary as a result of this reconciliation.</p>	<p>In progress</p> <p>Management confirmed that in order to complete the historic reconciliation of non-financial obligations, reconciliation of financial obligations had to first be completed to account for any commuted sums. Management also confirmed that all non-financial obligations have been updated on EXACOM for the years 2010-2018. From our testing, we found that for our sample there was good agreement between obligations within S106 agreements and details held on EXACOM.</p> <p>Management confirmed that reconciliation (i.e. matching obligations made with activities carried out) has commenced and is focussing on major development sites and schemes which have commenced in the last three years. Whist progression of the reconciliation is dependent on developers providing information, developers have been issued with requests for information. Sites are also being assessed to ascertain whether additional information is required from developers.</p> <p>Management confirmed that this reconciliation will be complete by the end of October 2018.</p> <p>Further action requires for full implementation:</p>	<p>Head of Strategic Planning, RE</p> <p>Infrastructure Planning Manager, RE</p> <p>Service Director - Highways, RE</p> <p>Head of Business, Enterprise and Skills, RE</p>	<p>Original: 30 April 2018</p> <p>Revised: 31 October 2018</p>

		<ul style="list-style-type: none"> - RE Management will complete their historic reconciliation of non-financial obligations and start to take any action necessary as a result of this reconciliation. 		
<p>6. S106 and CILS Expenditure – Limited Assurance</p> <p>January 2018</p>	<p>Specific development non-financial obligation tracking and verification</p> <p>A protocol will be developed (see action 1a) to clearly document the roles and responsibilities of parties in the monitoring and delivery of obligations, including where delivery is not in-line with the S106 agreement. Records of delivery will be maintained on file.</p>	<p>In progress</p> <p>We were supplied with a document entitled ‘Monitoring the delivery of Section 106 non-financial obligations – process map’. The document listed key steps to be undertaken in monitoring S106 non—financial obligations and attributed to them to either the Planning. Developer or relevant to departments in Re responsible for monitoring delivery of the obligation.</p> <p>We considered that the document was not sufficiently detailed to define roles and responsibilities in monitoring delivery of non-financial obligations. For example:</p> <ul style="list-style-type: none"> - The document did not detail different monitoring arrangements in the different departments within Re (for example, education and skills, Highways and Affordable Housing); - The document did not refer to any decision making that would take place to agree a proportionate remedy with the developer and how decisions making would be recorded. - The document did not refer to the Council’s Schemes of Delegation regarding decision making when altering S106 agreements; and - The document did not make reference to management checks or oversight of delivery obligations. <p>Further action for full implementation: Management will review the protocol and ensure it is sufficiently detailed to define</p>	<p>Head of Strategic Planning, RE</p> <p>Infrastructure Planning Manager, RE</p> <p>Service Director - Highways, RE</p> <p>Head of Business, Enterprise and Skills, RE</p>	<p>Original: 30 April 2018</p> <p>Revised: 31 October 2018</p>

		expectations as well as roles and responsibilities in the monitoring and delivery of obligations.		
<p>7. S106 and CILS Expenditure – Limited Assurance</p> <p>January 2018</p>	<p>Specific development non-financial obligation tracking and verification</p> <p>Where planning obligations are found not to have been met without prior agreement, RE management will pursue an appropriate remedy with the developer.</p>	<p>In Progress</p> <p>Whilst Management confirmed that, to date, no unmet obligations have been identified this action cannot be considered as ‘fully implemented’ until the historic reconciliation of non-financial obligations had been completed.</p>	<p>Head of Strategic Planning, RE</p> <p>Infrastructure Planning Manager, RE</p> <p>Service Director - Highways, RE</p> <p>Head of Business, Enterprise and Skills, RE</p>	<p>Original: 30 April 2018</p> <p>Revised: 31 October 2018</p>
<p>8. Transformation Benefits Realisation</p> <p>December 2017</p>	<p>Benefits identification and definition</p> <p>Project managers will review benefit profiles for current projects across the Transformation Programme to ensure they contain all the required information to fully define planned benefits.</p>	<p>In Progress</p> <p>It has been confirmed that benefit trackers are in place for the council’s key strategic projects and programmes.</p> <p>There has been work undertaken on ensuring benefit trackers are in place across the rest of the council’s project portfolio and this is driving the right activity across the organisation.</p>	<p>Commercial Director</p>	<p>Original: 30 June 2018</p> <p>Revised: 30 September 2018</p>
<p>9. Transformation Benefits Realisation</p> <p>December 2017</p>	<p>Benefits measurement and monitoring</p> <p>Following training Project Managers will review and update project benefit profiles for projects across the Transformation programme portfolio and ensure:</p> <ul style="list-style-type: none"> • Measurement criteria within benefit profiles support benefits monitoring and 	<p>In Progress</p> <p>As above</p>	<p>Commercial Director</p>	<p>Original: 30 June 2018</p> <p>Revised: 30 September 2018</p>

	<p>realisation. These will logically allow progress from the baseline point towards the target to be measured and articulated.</p> <ul style="list-style-type: none"> • A clear schedule for planned benefits monitoring activity and governance updates is agreed, for example the benefits tracker will be updated to include planned information on an annual basis and progress reported to the relevant board/committee. 			
<p>10. Transformation Benefits Realisation</p> <p>December 2017</p>	<p>Benefits realisation</p> <p>At the point of project closure for all transformation projects, management will assess whether benefits have been realised and record and report the extent of realisation.</p>	<p>In Progress</p> <p>Management confirmed that since the audit the standard project closure document template - which is completed when a project is over – had been updated and includes an appendix which clearly documents benefits which require handover into business as usual and any ongoing monitoring needed after the point of project closure/ handover. They confirmed that this has been cascaded to project managers.</p> <p>However, at the time of our follow up review, no projects had been formally closed since the revised project closure document had been updated.</p> <p>We therefore consider this to be In Progress and will review this action again in Q2, 2018-19, by when at least one project will have been formally closed and we can confirm that the revised template has been completed.</p>	<p>Commercial Director</p>	<p>Original: 30 June 2018</p> <p>Revised: 30 September 2018</p>
<p>11. Transformation Benefits Realisation</p> <p>December 2017</p>	<p>Benefits realisation</p> <p>Any benefits which need to continue to be measured after the project close date will be formally handed over</p>	<p>In Progress</p> <p>As above</p>	<p>Commercial Director</p>	<p>Original: 30 June 2018</p> <p>Revised:</p>

	to the service area and a monitoring and reporting schedule agreed for them.			
12. Accounts Payable December 2017	BACS reconciliation 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.	In Progress Management confirmed that evidence now remains within the Integra system and that there is inbuilt segregation of duties due to the separate teams that are involved in file transmission. Additionally, once the Payment Production Report/Update has been run in Integra it cannot be amended. However, to date, we have not been provided with any evidence to confirm this therefore considered In Progress until that evidence is provided.	Head of Exchequer Services, CSG	Target Date: 30/4/2018 Revised: 30 September 2018
13. Accounts Receivable December 2017	Unallocated receipts We will remind Cashbook officers of the importance of investigating unallocated debtor amounts using account numbers in Integra, on a monthly basis.	In Progress Management confirmed that Officers had been reminded of the importance of investigating unallocated debtor amounts. We were informed this was done verbally and via email. Audit have not yet been provided with evidence (for example an email to the Cashbook team) to confirm that this action has been implemented, therefore considered In Progress until that evidence is provided.	Head of Exchequer Services, CSG	Target Date: 30/4/2018 Revised Target Date: 30 September 2018
14. Accounts Receivable December 2017	Unallocated receipts We will remind Accounts Receivable officers of the importance of supporting cashbook in investigating unallocated debtor amounts using their existing knowledge of debtors.	In Progress Management confirmed that Officers have been reminded of the importance of supporting cashbook in investigating debtor amounts using their existing knowledge of debtors. We were informed this was done verbally and via email. Audit have not yet been provided with evidence (for example an email to the Accounts Receivable team) to confirm that this action has been implemented, therefore considered In Progress until that evidence is provided.	Head of Exchequer Services, CSG	Target Date: 30/4/2018 Revised Target Date: 30 September 2018

<p>15. Accounts Receivable</p> <p>December 2017</p>	<p>Unallocated receipts</p> <p>We will discuss the possibility of introducing a monthly joint exercise between Cashbook and Accounts Receivable officers to clear off outstanding unallocated debtors in a timely manner.</p>	<p>In Progress</p> <p>Management confirmed that a monthly joint exercise had been discussed but it was decided against it as it was deemed there was sufficient contact between the Accounts Receivable and Cashbook teams.</p> <p>However, at the time of the initial audit the suspense account total value was £559k whereas the unallocated total at the end of June 2018 was £854k. Whilst £352k was dated from the last week in June, we considered there was still an opportunity to further reduce the historic unallocated receipt total as it includes, for example, amounts from 2016 totalling £71k and from 2017 totalling £219k.</p> <p>We asked for evidence of the reconciliations for the months of Feb 2018 and Apr 2018 but at time of writing this report these had not been received. Therefore, considered In Progress until that evidence is provided.</p>	<p>Head of Exchequer Services, CSG</p>	<p>Target Date: 30/4/2018</p> <p>Revised Target Date: 30 September 2018</p>
<p>16. Housing Benefit</p> <p>March 2018</p>	<p>Overpayments</p> <p>There has been a significant backlog of recovery action in relation to overpaid benefit, but a new team is now in place and cases will now be pursued (where appropriate) through to Legal action. It should be noted that it may be inappropriate where the costs of such action would more than double the customer's original debt.</p>	<p>In Progress</p> <p>Management confirmed that work is underway to address the backlog of recovery action.</p> <p>In April, a data matching exercise was undertaken with the DWP and they have provided up to date details and employment information for a significant number of the outstanding debtors. This will take some time to process but where current employment details have been provided it is possible to apply for an Earnings Attachment without having to go to court (unlike Council Tax debts) and this will generate immediate results and much improved income in respect of these debtors.</p> <p>Once this work has been completed any remaining accounts will be reviewed with and a decision made whether to move appropriate cases into the Legal process or to write them off depending on size of debt or circumstances.</p>	<p>Head of Revenues & Benefits</p>	<p>30 June 2018</p> <p>Revised Target Date: 31 March 2019</p>

<p>17. Staff Performance Reviews</p> <p>March 2018</p>	<p>Governance - presentation of monitoring information</p> <p>Management will consider whether to introduce equalities monitoring earlier in the process (at the point of indicative ratings) to ensure that the moderation process can be used to address any areas of anomaly identified and provide additional assurance over the validity of staff ratings.</p>	<p>In Progress</p> <p>We were provided with a copy of the report of the outcome of the 2017/18 moderation process which had been prepared for SCB to review. However, at time of writing this report it had not yet been presented to SCB and the pay progression awards had therefore been delayed. It was not clear from the report whether the equalities monitoring had fed into the moderation process at the point of indicative ratings and further clarification is needed.</p>	<p>HR Director</p>	<p>April 2018</p> <p>Revised Target Date:</p> <p>31 August 2018</p>
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5.4 Completed actions

5.4.1 During this period we followed up 18 high priority actions which are deemed to have been implemented, superseded or closed. These are listed below:

Name of report	Agreed Action and Due Date
<p>1. Highways Programme</p> <p>(March 2017)</p>	<p>Performance Management</p> <p>A framework for performing validation activity on performance data reported by the contractor will be determined and implemented. This will involve periodically requesting the supporting data from the contractor on a proportionate sample basis to support reported performance.</p> <p>Original: 31 July 2017</p> <p>1st Revised date: 31 January 2018</p> <p>2nd Revised date: 30 June 2018</p> <p>Implemented</p>
<p>2. Highways Programme</p> <p>(March 2017)</p>	<p>Performance Management</p> <p>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.</p>

	<p>These indicators will be added to those measured and reported by the contractor on a monthly basis as appropriate.</p> <p>Original: 30 June 2017</p> <p>1st Revised date: 31 October 2017</p> <p>2nd Revised date: 31 March 2018</p> <p>3rd Revised date: 31 May 2018</p> <p>Closed</p> <p>A meeting was held between Re and the Council's Commercial team on 3rd July to review and agree all the KPI Data Quality Sheets amendments proposed by Re except one which needs to be jointly reviewed. A meeting has been arranged with Re for 26th July to review this single KPI. The KPIs being reviewed include re-alignment with the LoHAC KPIs.</p> <p>As the resolution of this action involved commercial negotiation we are closing the audit action.</p>
<p>3. Highways Programme (March 2017)</p>	<p>Performance Management</p> <p>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.</p> <p>Original: 30 June 2017</p> <p>1st Revised date: 31 October 2017</p> <p>2nd Revised date: 31 March 2018</p> <p>3rd Revised date: 31 May 2018</p> <p>Closed – as above</p>
<p>4. Regeneration – Benefits Realisation (October 2017)</p>	<p>Benefits identification and definition</p> <p>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>Original: 31 January 2018</p> <p>Revised: 31 May 2018</p>
<p>5. Regeneration – Benefits Realisation (October 2017)</p>	<p>Benefits identification and definition</p> <p>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>Original: 31 January 2018</p> <p>Revised: 31 May 2018</p>
<p>6. Regeneration – Benefits Realisation</p> <p>(October 2017)</p>	<p>Benefits monitoring, measurement and realisation</p> <p>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 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. • 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>Original: 31 January 2018</p> <p>Revised: 31 May 2018</p>
<p>7. S106 and CILS Expenditure</p> <p>(January 2018)</p>	<p>Roles, Responsibilities and Decision Making</p> <p>The Council, RE and CSG Finance will agree a protocol all areas relating to the expenditure of CIL and S106 monies to ensure everyone is aware of their roles and responsibilities and accountabilities and ensure there is effective oversight between the three parties. This will be prepared by Re in its role “providing support for the end-to-end [Planning Obligation] process with support from CSG and LBB”.</p> <p>The Deputy Chief Executive will formally approve and issue the protocol document.</p> <p>One agreed and finalised, HBPL will be provided with a copy so they are aware of the agreed processes that will be followed by Re, CSG and LBB relating to the agreed expenditure of CIL and S106 monies.</p> <p>Original: 30 June 2018</p>
<p>8. S106 and CILS Expenditure</p> <p>(January 2018)</p>	<p>Roles, Responsibilities and Decision Making</p> <p>The Schemes of Delegation for the Deputy Chief Executive, the Commissioning Director for Environment and the Director of Resources will be reviewed by LBB Commissioning to ensure clarity around who has the delegated authority to draw down CIL and S106 capital and revenue funding.</p> <p>Original: 30 April 2018</p>

<p>9. S106 and CILS Expenditure (January 2018)</p>	<p>Roles, Responsibilities and Decision Making</p> <p>When providing finance clearance, CSG Finance and LBB's Head of Finance will ensure Policy & Resources Committee papers clearly indicate schemes to be funded by CIL. Any substitutions will be clearly reported through the budget update reports and Re will be informed. The process to be followed will be agreed in the protocol document.</p> <p>Original: 30 April 2018</p>
<p>10. S106 and CILS Expenditure (January 2018)</p>	<p>S106 and CIL expenditure and monitoring</p> <p>A protocol will be agreed which details the proactive engagement which will be undertaken with services across the Council to ensure effective awareness of available funds and that suitable projects are identified and progressed in a timely manner (see recommendation 1a). This will ensure that there is effective oversight of said funds and they can be effectively monitored to reduce the likelihood of reaching expiry date.</p> <p>Original: 30 April 2018</p>
<p>11. S106 and CILS Expenditure (January 2018)</p>	<p>S106 and CIL expenditure and monitoring</p> <p>RE management will ensure all priority S106 agreements are transferred from the excel spreadsheet to EXACOM. On the transfer of data from RE management will ensure that:</p> <ul style="list-style-type: none"> - all relevant S106 agreements are held on file; - all relevant fields within EXACOM are correct and match S106 agreements; and - all relevant fields with EXACOM accurately provide details of how funds have been applied. <p>Priority schemes will be those which:</p> <ul style="list-style-type: none"> - have not yet commenced; - were signed on or after 1 Jan 2015; - finance records following the reconciliation indicate there is a balance; and - EXACOM indicates the scheme has commenced but there are empty fields within the database. <p>Original: 30 April 2018</p>
<p>12. S106 and CILS Expenditure (January 2018)</p>	<p>S106 and CIL expenditure and monitoring</p> <p>In line with the protocol (see action 1a), when making approved changes to use of S106 or CIL funds within revenue budgets or Capital Programme, including substitutions, CSG Finance will continue to ensure they liaise fully with RE management to ensure full compliance with S106 and CIL legal controls (as this data is not held in finance systems). RE Management will then use this occasion to retain full and accurate records of how funds are being applied.</p> <p>Original: 30 April 2018</p>
<p>13. Staff Performance Reviews</p>	<p>Governance - presentation of monitoring information</p>

<p>(March 2018)</p>	<p>HR will re-assess the ratings distributions across different service areas and equalities monitoring characteristics. Where potentially statistically significant variances are identified, these will be investigated to understand whether they represent systemic bias or inconsistent understanding of the performance management approach. If this is the case, management will ensure that mitigating actions are taken to address any issues identified before the next round of annual performance reviews in March – May 2018.</p> <p>Original: April 2018</p> <p>Superseded – see Outstanding actions above (section 5.3), Management will consider whether to introduce equalities monitoring earlier in the process</p>
<p>14. Elections Management - Annual Canvass (January 2018)</p>	<p>Completeness of property lists sent to canvassers for a face-to-face visit Management will work with Democracy Counts to explore:</p> <ul style="list-style-type: none"> - Ensuring that the system correctly assigns a property to a canvasser where a HEF response has not been received. - Designing a process which will allow the Elections Team to quickly identify any properties which have been incorrectly excluded from the next stage during the annual canvass process. <p>Target date: 30 June 2018</p>
<p>15. Elections Management - Annual Canvass (January 2018)</p>	<p>Processing of HEFs returned by post Management will clearly document responsibilities of officers for processing HEFs accurately to ensure that all changes requested by residents are made. This document will be communicated to all relevant officers.</p> <p>Target date: 30 June 2018</p>
<p>16. Elections Management - Annual Canvass (January 2018)</p>	<p>Processing of HEFs returned by post Management will design and implement a quality assurance process to verify that HEF forms have been processed correctly. The process will cover:</p> <ul style="list-style-type: none"> - The need to carry out accuracy - checks to ensure that the information on forms has been correctly entered in the system. - The need to perform checks before HEF forms are physically destroyed. - The need to verify new team members' work to ensure that they are aware of where actions are not meeting process requirements. <p>This process will be documented and reviewed and updated on an annual basis.</p> <p>Target date: 30 June 2018</p>
<p>17. Elections Management - Annual Canvass (January 2018)</p>	<p>Documentation relating to the canvass process 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.</p>

	<p>The documents will stipulate key roles and responsibilities of Electoral Services Team members in the completion of their duties around electoral registration.</p> <p>Target date: 31 March 2018</p> <p>Revised date: 30 June 2018</p>
<p>18. Elections Management - Annual Canvass (January 2018)</p>	<p>Documentation relating to the canvass process</p> <p>Management will create a project plan which maps and documents all key tasks to be completed as part of the annual canvass. This will clearly define:</p> <ul style="list-style-type: none"> - Actions to be taken - Owner - Timelines (including deadlines) - Current progress - Escalation routes <p>The plan will include review of canvassers' activities and non-standard tasks outside the core HEF and canvass process. The plan will be retained on a shared drive to ensure it is accessible and will be presented to the Assurance Director for their endorsement. The plan will be reviewed and updated prior to any new canvass.</p> <p>Target date: 30 June 2018</p>

At the time of writing this report, we were in the process of confirming the status of actions from the **Facilities Management** audit. We will give a verbal update to the Audit Committee as to this progress:

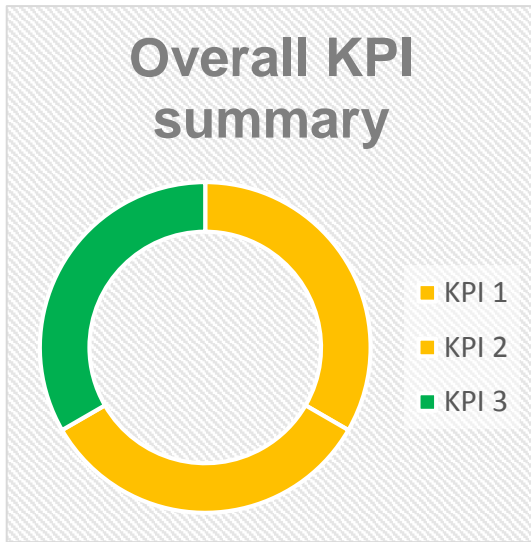
Name of report	Agreed Action and Due Date	Status
<p>1. Facilities Management (June 2018)</p>	<p>Data Quality – KPI CSG 25: Incident Resolution</p> <p>Management will draft expectations regarding KPI CSG 25 (Incident Resolution) to define:</p> <ul style="list-style-type: none"> - Expectations to ensure completeness of data; - Reporting categories and expected resolution time; - Criteria for jobs being marked as pending or 'on hold' and any approval which should be sought from LBB - When jobs should be reported as resolved and closed out on Hornbill; and 	<p>TBC – verbal update to be given to Audit Committee</p>

	<p>- Steps to be taken by management to ensure that data quality is reliable, for example verifying data within the outturn and/or reviewing the progress of jobs, including those which have been placed on hold for long periods of time.</p> <p>Target date: 22 June 2018</p>	
<p>2. Facilities Management (June 2018)</p>	<p>Data Quality – KPI CSG 25: Incident Resolution</p> <p>The draft document will be presented to and agreed by the Head of Estates.</p> <p>Target date: 29 June 2018</p>	<p>TBC – verbal update to be given to Audit Committee</p>
<p>3. Facilities Management (June 2018)</p>	<p>Data Quality – KPI CSG 25: Incident Resolution</p> <p>CSG will review and formalise their existing escalation procedures with the Landlord (COMER).</p> <p>Target date: 29 June 2018</p>	<p>TBC – verbal update to be given to Audit Committee</p>
<p>4. Facilities Management (June 2018)</p>	<p>Data Quality – KPI CSG 25: Incident Resolution</p> <p>The escalation procedures will then be enacted regarding the ongoing issue with swipe card access.</p> <p>Target date: 29 June 2018</p>	<p>TBC – verbal update to be given to Audit Committee</p>
<p>5. Facilities Management (June 2018)</p>	<p>Data Quality – KPI CSG 25: Incident Resolution</p> <p>Management will review where jobs have been delayed by factors within their control – for example a key Officer being on leave and required materials therefore not being procured – to ensure corrective actions are put in place to prevent recurrence.</p> <p>Target date: 29 June 2018</p>	<p>TBC – verbal update to be given to Audit Committee</p>
<p>6. Facilities Management (June 2018)</p>	<p>External contractors</p> <p>Contractors will not commence work before a Permit to Work Form has been completed and is held on file.</p> <p>Target date: 22 June 2018</p>	<p>TBC – verbal update to be given to Audit Committee</p>
<p>7. Facilities Management (June 2018)</p>	<p>External contractors</p> <p>The Permit to Work form will be updated to include a requirement for Custodians to insert the job reference number from Hornbill.</p> <p>Target date: Implemented</p>	<p>TBC – verbal update to be given to Audit Committee</p>

<p>8. Facilities Management (June 2018)</p>	<p>External contractors</p> <p>Management will:</p> <ul style="list-style-type: none"> - Ensure there is an effective and full audit trail from Hornbill through to purchase orders, invoices and payments made for incident responses. - Ensure there are sample checks completed on jobs under £250 by the Facilities Management Team to ensure the jobs are completed correctly and have not been paid for previously. - Ensure there is a schedule in place which states named Officers which can request work as well as approve invoices of certain values. - Ensure that there is there is oversight of work costing £250 before an invoice is raised by the contractor. The approach will be documented and held on file. <p>Target date: 22 June 2018</p>	<p>TBC – verbal update to be given to Audit Committee</p>
<p>9. Facilities Management (June 2018)</p>	<p>External contractors</p> <p>The Council and CSG Estates will agree a documented approach as described above.</p> <p>Target date: 22 June 2018</p>	<p>TBC – verbal update to be given to Audit Committee</p>
<p>10. Facilities Management (June 2018)</p>	<p>External contractors</p> <p>Management will investigate whether a duplicate payment was made for £124 and if so pursue reimbursement from the supplier.</p> <p>Target date: 22 June 2018</p>	<p>TBC – verbal update to be given to Audit Committee</p>
<p>11. Facilities Management (June 2018)</p>	<p>External contractors</p> <p>The Council and CSG will consider whether this recommendation is applicable to other budgets within CSG Estates.</p> <p>Target date: 22 June 2018</p>	<p>TBC – verbal update to be given to Audit Committee</p>

Appendices

Appendix A: Key performance indicators (KPIs)



Fully Achieved

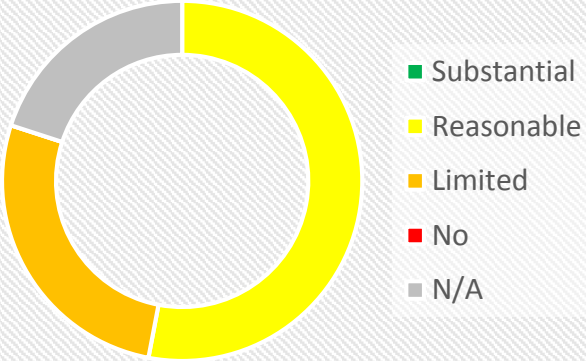
Partially Achieved

Not Achieved



KPI	Target	Results	Comment										
1. % of Plan delivered	43%	41%	<p>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 41% of our plan.</p> <p>0-20% = Not Achieved 21-42% = Partially Achieved 43% = 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%	51%	<p>0-49% = Not Achieved 50-89% = Partially Achieved 90% = Fully Achieved</p>										
3. Average customer satisfaction score for year to meet or exceed acceptable level for at least 85% of completed surveys	85%	100%	<p>0-49% = Not Achieved 50-84% = Partially Achieved 85% = Fully Achieved</p>										
4. % of reports year to date achieving:	N/A												

Assurance Ratings



<ul style="list-style-type: none"> •Substantial •Reasonable •Limited •No Assurance •N/A 		<p>0%</p> <p>53%</p> <p>27%</p> <p>0%</p> <p>20%</p>	
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Appendix 2**Internal Audit Charter****1. Introduction**

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

2. Mission and Definition of Internal Audit

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

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

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

3. Purpose and Core Principles of Internal Audit

3.1 The objective of Internal Audit is to assist officers and members in the effective discharge of their responsibilities. To this end, internal audit furnishes them

with assurance, analysis, appraisals, counsel and information concerning the activities reviewed and risks not mitigated adequately. This objective includes promoting effective control at reasonable cost.

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

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

4. Organisational Independence

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

4.2 Should this change, for example if the chief audit executive (Head of Internal Audit) begins to undertake non-audit activities, appropriate safeguards will be put in place to ensure independence and objectivity is maintained. For example, if the Head of Internal Audit is tasked with undertaking operational activities, internal audit review arrangement of these activities would be undertaken by the internal audit provider, currently Price Waterhouse Coopers (PwC), and the resultant reports signed off by a sponsor within SCB.

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

4.4 The Assurance Director has a commissioning role for the Legal Shared Service. To avoid a conflict of interest, the Assurance Director will not be involved in

any internal audit reviews that concern the Harrow and Barnet shared legal service (HB Public Law) other than as an audit client.

5. Status of Internal Audit

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

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

5.3 Internal Audit has the authority to:

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

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

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

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

6. Responsibility of the Audit Committee

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

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

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

7. The role of Statutory Officers

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

8. Delivery of the Audit Service

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

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

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

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

8.4 When advice requested from Internal Audit would be classified as 'consulting' services under the PSIAS, if the level of resources required to complete the work could lead to the planned 'assurance' work programme for the year not

being achievable, approval will be sought from the Audit Committee before the engagement is accepted.

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

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

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

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

9. Role and Scope

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

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

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

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

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

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

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

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

10. Managers' responsibilities with regard to Internal Audit

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

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

11. Internal Audit Reporting

11.1 All audit assignments will be subject to a formal report. At the end of the "audit fieldwork", a draft report will be issued to the accountable manager for the activity under review, for the factual accuracy of the findings to be confirmed. The reports will identify any risks associated with the internal control environment and

recommend actions to address any deficiencies. Reports will contain recommendations that are considered to be critical, high, medium or low risk.

11.2 Assessments will be based on the following criteria:

Note: the criteria should be treated as examples, not an exhaustive list. There may be other considerations based on context and auditor judgement.

Non-Schools audits:

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

Advisory 0 points per finding	An observation that would help to improve the system or process being reviewed or align it to good practice seen elsewhere. Does not require a formal management response.
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Schools audits:

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

Findings rating	Description
Critical 40 points per finding	Critical issue where action is considered imperative. Action to be effected immediately.
High 10 points per finding	Fundamental issue where action is considered imperative to ensure that the School is not exposed to high risks, also covers breaches of legislation and policies and procedures. Action to be effected within 1 to 3 months.
Medium 3 points per finding	Significant issue where action is considered necessary to avoid exposure to risk. Action to be effected within 3 to 6 months.
Low 1 point per finding	Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 to 12 months.
Advisory 0 points per finding	An observation that would help to improve the system or process being reviewed or align it to good practice seen elsewhere. Does not require a formal management response.

Level of assurance	Description
No	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to

40 points or more	significant risk of error, fraud, loss or reputational damage being suffered.
Limited 18– 39 points (non-schools) 20-39 (schools)	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
Reasonable 7– 17 points (non-schools) 7-19* (schools)	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system’s overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere. *For schools audits the threshold for moving into Limited Assurance is higher (19 points as opposed to 17 points). This is because there are 17 different audit scope areas in a schools audit making it possible to accumulate a high number of points through Low priority findings. Our analysis of past reports has shown that this would lead to a disproportionate increase in the number of schools receiving a Limited Assurance rating under the points based system.
Substantial ✓✓✓ 6 points or less	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.

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

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

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

11.6 When issuing all final reports, the Chair of the appropriate Theme Committee will be included on the distribution list to ensure they receive a timely overview of the relevant audit findings in their area.

11.7 All audit reports, once issued as final, will be made available on the Council's intranet to ensure that officers can readily access them.

11.8 All "Limited" or "No" assurance reports will be published on the Council's website.

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

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

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

12. Liaison with other auditors and review agencies

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

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

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

13. Quality and Improvement Programme


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

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

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

Version control

Version	Date	Author(s)	Summary of Changes
V1	24 July 2013	Caroline Glitre, Head of Internal Audit	N/A
V2	30 April 2015	Caroline Glitre, Head of Internal Audit	<ul style="list-style-type: none"> Expanded description of Advisory work (section 8) More explicit referral to how officers should notify Assurance Group on suspected or detected fraud (section 9) Description of reporting of Advisory work (section 11) Reference to protocols in place with Capita and the Barnet Group (section 12) Reference to the Quality and Improvement Programme (section 13)
V3	08 July 2016	Clair Green, Assurance Assistant Director	<ul style="list-style-type: none"> Amendment of risk rating criteria and confirmation of what is reported to Audit Committee (section 11)
V4	20 March 2017	Caroline Glitre, Head of Internal Audit	<ul style="list-style-type: none"> Updated to reflect the 2016 PSIAs (sections 2 and 3) Addition of Schools audit rating descriptions and scoring approach (section 11)
V5	2 July 2018	Caroline Glitre, Head of Internal Audit	<ul style="list-style-type: none"> Updated to reflect the 2017 PSIAs (section 4) Updated to confirm that the Chair of the appropriate Theme Committee will receive a copy of all audit reports, all reports will be published on the Council's intranet for staff to access and all "Limited" and "No" assurance reports will be published on the Council's website (section 11)

	<p>Audit Committee</p> <p>17 July 2018</p>
<p>Title</p>	<p>Corporate Anti-Fraud Team (CAFT) Q1 Progress Report 2018-19</p>
<p>Report of</p>	<p>Clair Green – Assurance Director</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Enclosures</p>	<p>Appendix 1 - CAFT Q1 Progress Report 1st April – 30st June 2018</p>
<p>Officer Contact Details</p>	<p>Clair Green clair.green@barnet.gov.uk 0208 359 7791</p>

Summary

This report covers the period 1 April 2018 – 30 June 2018 and represents an up-to-date picture of the work undertaken by Corporate Anti-Fraud Team (CAFT) during that time.

Recommendations

1. That the Committee note the CAFT Progress Report covering the period 1 April – 30 June 2018.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee included in the work programme for 2018/19 that a Quarterly Report on the work of the Corporate Anti-Fraud Team is produced to this meeting.

2. REASONS FOR RECOMMENDATIONS

- 2.1 N/A

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 N/A.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

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

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

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

5.3 Legal and Constitutional References

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

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

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

5.4 Risk Management

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

5.5 Equalities and Diversity

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

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

5.6 Consultation and Engagement

5.6.1 None

6. BACKGROUND PAPERS

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

6.2 Audit Committee 19th April 2018 (Decision item 13) the Audit committee included in the Committee Forward Work Programme that quarterly progress report on the work of the Corporate Anti-Fraud Team be produced to this meeting

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Appendix 1

Corporate Anti-Fraud Team (CAFT) Progress Report: 1 April – 30 June 2018

2. Pro-active fraud plan

1. Introduction

2. Pro-active Fraud Plan

3. Performance Information

1. Introduction

This report covers the period 1 April 2018 – 30 June 2018 and represents an up-to-date picture of the work undertaken by Corporate Anti-Fraud Team (CAFT) during that time.

All CAFT work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. CAFT supports the Chief Finance Officer in fulfilling his statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds.

Work processes in the team are designed for maximum efficiency and as such all functions are intrinsically linked and are dependent on each other, to ensure CAFT continue to provide an efficient value for money counter fraud service and that can investigate all referrals or data matches to an appropriate outcome.

CAFT continue to 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 civil action are taken. It is this element of the work of CAFT that is hard to quantify statistically.

During the last quarter CAFT have further developed relationships with other local authorities where joint working and assistance has been established to utilise the enhanced investigative powers of the CAFT Financial Investigators in relation to Proceeds of Crime investigations.

The tables below will show that the CAFT investigators have dealt with a total of **501** allegations of fraud in this first quarter of 2018/19 and that it has been a busy time with some excellent outcomes.

Finally, your attention is drawn to the most significant of these matters which CAFT has been investigating since December 2017 to date (refer Section 4, Corporate Fraud, Case 1) this investigation has involved a substantial amount of CAFT specialist resource as well as senior CAFT management. The matter is now subject to legal proceedings and will be reported on further in due course.

2. Pro-active fraud plan

Table 1 provides an update against any CAFT pro-active activity undertaken in this period as set out within the 2018/19 plan

CAFT Pro-active review	Outcome
<p>Disabled Blue Badge Street Operation.</p> <p>Disabled Blue Badges must only be used by the named badge holder, or by a person who has dropped off or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a blue badge in any other circumstances.</p>	<p>CAFT have conducted two intelligence led pro-active Street Operations' in quarter 1 – during these exercises CAFT officers are accompanied by NSL Parking Enforcement Officers and Barnet Police.</p> <p>The first Operation was carried out on 4th April 2018 in the Finchley area. Over 100 blue badges during the operation were checked and 8 cases of blue badge misuse / fraud were identified and 4 blue badges were seized. Of the 8 cases identified subsequent investigation have confirmed 7 of these were being misused and 1 was reported stolen.</p> <p>The second Operation was carried out on the 20th June 2018 covering the Golders Green and Temple Fortune areas. Over 91 blue badges were checked during this operation and 11 cases of misuse / fraud were identified and 6 blue badges were seized. Subsequent investigations have confirmed that of all the 11 cases identified on the day were in fact confirmed to be misused.</p>
<p>Proactive Tenancy verification exercise with Metropolitan Housing.</p>	<p>In April 2018, under joint working arrangements CAFT commenced a pro-active verification exercise on all 890 properties owned by the Registered Social Landlord (RSL) Metropolitan Housing Trust, within the borough. The exercise led to 269 properties requiring further verification (and visits) by Tenancy Fraud Investigators to establish correct tenant details. Of these, 269, 120 of these tenants have been now verified as being resident at the address with 146 properties still going through the verification process.</p> <p>So far 3 cases have been referred for full investigation due to concerns regarding either residency and/or occupants.</p>

3. Performance Indicators

Table 2 provides an update against all performance indicators as set out within the 2018/19 fraud plan. (No targets are set against each of these indicators, they are the results of CAFT re-active and continuous investigation work – with the exception of 'Properties Recovered' which is agreed with Barnet Homes as an annual figure of 60 properties).

Performance Indicator	Q1 2018-19	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. CAFT 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 17-18	18	
Number of new fraud investigations	9	
Total number of Cases dealt with in Q1	27	
Total Number of closed fraud investigations	15	2 cases closed 'No Fraud' 2 cases referred to Police 11 cases closed insufficient evidence
Number of staff no longer employed / dismissed as a result of CAFT investigations.	Nil	
Total number of closed cases in Q1	15	
Number of cases awaiting legal action	0	
Total number of on-going fraud investigations	12	1 relates to School Admissions, 1 relates to Assisted Travel, 1 relates to Parking, 1 relates to Environmental Health 1 relates to Green Spaces 1 relates to Family Services 1 relates to Barnet Homes 1 relates to Estates 2 relate to Customer Financial Affairs 2 relate to Procurement
Total number ongoing investigations carried into Q2	12	
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 Investigations from 17-18	117	
Number of new referrals received	73	As a result of these referrals 16 badges have been seized.
Total number of BB investigations dealt	190	

with in Q1		
Number of cases that were closed after prosecution in Q1	30	These cases were put before the courts in this first quarter and resulted in guilty verdicts. Please refer to noteworthy investigations sections of the report for further details of some sample cases.
Number of cases closed with Cautions being Administered in Q1	33	Please refer to noteworthy investigations sections of the report for further details on some sample cases.
Number of cases closed with a warning letter sent to badge holder or misuser in Q1	20	Warning letters* are issued where there is a strong suspicion or evidence of offence (with mitigating circumstance) and we have decided to take no further action as not in the public interest. *some letters will relate to Barnet badges seized by other local authorities
Number of cases closed with no further action	23	4 cases were closed as No Fraud 6 cases were closed Fraud Proven but no further action as not in public interest to proceed 13 cases were closed due to insufficient evidence.
Total number of BB cases closed in Q1	106	
Number of cases with legal awaiting court action	16	All of these cases are with our legal team pending criminal proceedings
Number of On-going BB investigations	84	
Total number of BB investigations carried into Q2	84	
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	19	
Number of new Financial investigations received in Q1	3	
Total number of Financial investigation in Q1	22	
Number of closed Financial investigations	2	1 was closed no fraud 1 closed due to insufficient evidence
Total number of closed Financial Investigations in Q1	2	
Total Number of on-going Financial Investigations	21	7 relate to planning 3 relate to Tenancy Fraud 2 relate to Adults and Communities 1 relate to Re There are a further 8 case which we are investigating as part of an agreement with Haringey Council. Details of cases are reported on

		closure if fraud is proven or another sanction given.
Total number of Financial Investigations carried into Q2	20	
<p>Tenancy Fraud Team prevent, identify, investigate, deter and sanction or prosecute persons that commit tenancy fraud in Barnet, ensuring maximising properties back to the council where Tenancy Fraud has been proven.</p> <p>CAFT provide a detailed monthly statistical report, along with a more comprehensive 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.</p>		
Number of carried forward Tenancy Fraud Investigations from 17-18	136	
Number of new Tenancy Fraud Investigations	76	
Number of new Right to Buy Applications received for verification	51	Since April 2017 CAFT hold the responsibility for vetting all Right to Buy Applications submitted to Barnet Homes.
Number of matters dealt with in Q1	263	
Number of Tenancy Fraud Investigations closed due to property being recovered	18	<p>13 relate to standard tenancies where 4 were recovered via civil action due to subletting and 9 were voluntarily surrendered as a result of the CAFT investigation</p> <p>1 relates to succession application where the property was voluntarily surrendered as a result of the CAFT investigation</p> <p>4 relate to emergency housing where the property was voluntarily surrendered.</p> <p>A sample of noteworthy cases are referred to in Section 4 of this report</p>
Number of investigations closed relating to Housing Applications that were denied as a result of CAFT intervention	2	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 wait waiting list for only those who have a legitimate need for social housing
Number of Right to Buy verifications closed due to applications being denied because of CAFT intervention	11	The Right to Buy scheme helps eligible council and housing association tenants in England to buy their home at a discount
Number of Right to Buy verifications closed as eligible to apply	46	All Right to Buy cases are now validated by CAFT. These cases were validated has having no issues and so allowed to progress through the RTB system

Number of Tenancy Fraud Investigations closed as No Further Action.	50	These cases were investigated but no tangible evidence was identified to substantiate the allegations. <i>The cases were closed as Insufficient Evidence or No Fraud Identified</i>
Total number of cases closed in Q1	127	
Total number of on-going Tenancy Fraud Investigations.	96	Of these cases 4 are with legal awaiting Criminal prosecution and 1 is with legal awaiting Civil action.
Total number of on-going Right to Buy Investigations.	40	
Number of Tenancy Fraud investigations carried into Q2	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 quarter. This statistic is reported for information purposes in accordance with our policy and statistical return to the Office of Surveillance Commissioners.	
Number of matters received under the council's whistleblowing policy.	1 – as this referral relates to ongoing enquires further details cannot be reported now but will be reported as appropriate on conclusion.	

4. Noteworthy investigation summaries: -

Corporate Fraud

Case 1 - Case 1 - relates to Financial Proceeds of Crime Case and a significant fraud by a member of staff working for Re (Regional Enterprise Ltd), who was also previously employed by the council. A referral was received by CAFT in December 2017 alleging that a substantial amount of money had been paid into an account belonging to a member of Re staff. A criminal and financial Investigation was immediately initiated by CAFT which subsequently identified that 62 allegedly fraudulent transactions, between the dates July 2016 to December 2017 and amounting to the total sum of £2,063,972.00 had been paid into various bank accounts controlled by the individual. The individual is no longer working for Re.

The individual was summonsed to appear before Willesden Magistrates court on the 3rd July 2018, on two charges of Fraud by Abuse of Position, contrary to the Section 4 of the Fraud Act 2006. The individual gave no indication of plea and the matter was referred to Harrow Crown Court for a Plea and Trial Preparation Hearing on 31st July 2018. Further details including the outcome of this case will be reported once the criminal proceedings have been concluded.

Case 2 relates to a Financial Proceeds of Crime Case. The investigation centred around an individual who had failed to comply with a planning enforcement notice ordering them to cease the use of the property as 9 self-contained flats. The individual rented the units to tenants and generated a rental income. He was initially prosecuted for the planning offence and in addition to this a financial investigation commenced under the Proceeds of Crime Act 2002. He was found to have benefitted from his criminal conduct and a confiscation order was given against him for the sum of £65,000, he was also fined £5,000 for the planning offence and ordered to pay costs of £15,000

Case 3 – relates to a case that was part of our partnership working with the London Borough of Haringey. Their investigation centred around an individual who failed to comply with a planning enforcement notice ordering them to cease the use of the property as 9 self-contained flats. He failed to comply with the notice and continued to rent the units, generating a rental income. CAFT officers commenced a financial investigation on

behalf of LB Haringey. This resulted in a confiscation order being made for the sum of £310,000. The defendant was also fined £5,000 and ordered to pay costs of £4,000.

Case 4 – relates to the misuse of a deceased persons Blue Badge that was being used by a family member to gain free parking. The offender altered the date on the badge to make it appear valid. The offender pleaded Guilty to wrongful use of a disabled badge contrary to section 117 of the Road Traffic Regulation Act 1984 at Willesden Magistrates Court on 17th April 2018 and was sentenced to a fine of £400, ordered to pay costs of £600 and a £40 victim surcharge.

Case 5 – relates to the misuse of a deceased persons Blue Badge that was being used by a family member to gain free parking. The offender pleaded Guilty at Willesden Magistrates Court on 24th April 2018 and was sentenced to a fine of £400, ordered to pay costs of £600 and a £40 victim surcharge.

Case 6 – Relates to the misuse of a child's blue badge. The offender used a family members badge to park whilst attending University to avoid paying for parking whilst the whilst was at school in another Borough. The offender misused the badge on two occasions and misled the investigation when she was interviewed under caution by telling officers that the child was present with her. Once presented with the evidence she admitted to misusing the blue badge. Records showed that the offender had been interviewed for the same offence the previous year. The case was heard at Willesden Magistrates court on 22nd May 2018 where the offender was found guilty in her absence of two offences of wrongful use of a disabled badge contrary to section 117 of the Road Traffic Regulation Act 1984. She was sentenced to a fine of £300 (£150 for each offence), ordered to pay costs of £820.67 and a victim surcharge of £30.

Case 7 – relates to the misuse of a family members disabled badge. The offender was adamant that the use of the badge was not a criminal offence as he was a lawyer. Further investigation revealed that he had already been given a warning letter by another Borough for the misuse of the same badge. The offender admitted to the misuse at interview. The offender pleaded guilty at Willesden Magistrates Court on 19th June 2018 to wrongful use of a disabled badge contrary to section 117 of the Road Traffic Regulation Act 1984 and was sentenced to a fine of £280, ordered to pay costs of £400 and a victim surcharge of £30.

Case 8 – relates to the misuse of a deceased family members blue badge. The offender admitted to the offence on the day and the badge was seized. The offender pleaded guilty at Willesden Magistrates Court on 15th May 2018 to wrongful use of a disabled badge contrary to section 117 of the Road Traffic Regulation Act 1984 and was sentenced to a fine of £150, ordered to pay costs of £500 and a victim surcharge of £30.

Simple Cautions (formally 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.*

33 Simple Cautions were administered by CAFT in Q1 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 Simple Caution.

These cases related to instances of straight forward misuse that took place. These include situations where errands were being run by family members on behalf of the badge holder such as the collection of medication or food. The offenders stated that they had the badge holder's permission and believed that the badge could be used for such action. However, when the Blue Badge scheme was explained to them they realised that their actions fell outside of what was permitted. In such cases Barnet can consider and if appropriate issue a simple caution rather than pursue the matter through the courts.

Tenancy Fraud Investigations

Miss A had a two-bedroom flat in Barnet. She had previously been found guilty of sub-letting the property in December 2007. Prior to sentencing, CAFT requested that the court consider financial action under the Proceeds of Crime Act 2002 and Prevention of Social Housing Fraud Act 2013. In June 2018, the court authorised a confiscation order of £40,004 to be paid within three months. An unlawful profit order of £2,711 was also made, along with an order for the defendant to pay costs of £6,883.

Ms B had a one-bedroom flat 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 Ms B was not resident. A Notice To Quit (NTQ) was issued but the tenant returned from abroad prior to the court hearing resulting in her being allowed to remain in the property. However, CAFT officers suspected that the tenant would not remain in the UK and obtained information which confirmed that the tenant had gone abroad again. An outright possession order was granted and bailiffs subsequently recovered the property.

Mrs C had a two-bedroom house in Barnet. A referral was received from the gas safety team who had been unsuccessful in making contact with the tenant giving rise to concerns that the tenant may not be residing in the property. The resulting CAFT investigation revealed that the tenant actually owned three other properties elsewhere in the country prior to applying for and commencing her tenancy in Barnet. Notices to quit were issued. The matter was passed to our legal team resulting in an outright possession order being granted by the civil courts and the keys to the property being recovered. The case is currently with our legal team with a view to commencing criminal proceedings.

Mr D had a two-bedroom flat with Metropolitan Housing Trust in Barnet. A referral was received from the housing officer who had concerns that the tenant was not occupying the property. The resulting CAFT investigation revealed that Mr D had links to another property and travelled abroad on a regular basis. NTQ's were issued. The tenant voluntarily handed the keys back to the property following the interview under caution. The case is currently with our legal team for consideration of criminal proceedings.


Mr E had a one-bedroom flat in Barnet. A referral was received stating that the tenant was not occupying the property and had recently sub-let it. A CAFT officer conducted an unannounced visit to another property where the tenant was suspected of living and he was found to be there. Mr E then accompanied the CAFT officer to the tenancy address suspected of being sublet. The officer found two other persons residing there. Notices to quit were issued and the tenant voluntarily surrendered the property. Mr E is being asked to attend an interview under caution regarding possible criminal action.

Mrs F had a two-bedroom flat in Barnet. As part of a pro-active exercise with Notting Hill Housing Trust, Tenancy Fraud officers obtained evidence showing that Mrs F had been abroad since 2015 and her non-dependant son was occupying the property. Notices to quit were issued and bailiffs subsequently recovered the property.

Mr G was looking to succeed his late grandmothers two-bedroom flat in Barnet. To be able to succeed a tenancy, the applicant must have been resident for 12 months prior to the tenant passing away. System data showed that Mr G had not been resident for the required length of time and following discussions with Mr G, he agreed to withdraw his application and voluntarily surrender the keys,

In addition to the above cases a further 12 properties were recovered by consent as the tenants were not residing at that property.

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	<p>Audit Committee</p> <p>17 July 2018</p>
<p>Title</p>	<p>Annual Report of the Audit Committee 2017-18</p>
<p>Report of</p>	<p>Chairman of the Audit Committee</p>
<p>Wards</p>	<p>N/A</p>
<p>Status</p>	<p>Public</p>
<p>Enclosures</p>	<p>Appendix A – Annual Report of the Audit Committee 2017-18</p> <ul style="list-style-type: none"> ○ Annex 1 –Schedule of Planned and Unplanned Work 2017-18
<p>Officer Contact Details</p>	<p>Clair Green, Assurance Director clair.green@barnet.gov.uk</p>

Summary

The Constitution under Responsibility for Functions includes the following within the Audit Committee’s terms of reference:

“The Audit Committee shall prepare a report to Full Council on an annual basis on its activity and effectiveness.”

The attached Annual Report describes how the Audit Committee meets its objectives as well as detailing the work of the Committee to date and the outcomes it has achieved for 2017-18

Recommendations

- 1. That the Committee recommend Full Council to note and approve the Annual Report of the Audit Committee for 2017-18 as an accurate record of the outcomes and work programme for the year.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Annual Report describes the work of the Committee to date and the outcomes it has achieved for 2017-18.
- 1.2 The Committee is asked whether they wish to make any amendments and note that the report will be presented to Full Council in due course.

2. REASONS FOR RECOMMENDATIONS

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

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None.

4. POST DECISION IMPLEMENTATION

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

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

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

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

- 5.2.1 None in the context of this report.

5.3 Legal and Constitutional References

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

- 5.3.2 The Audit Committee's terms of reference are noted in the Council's Constitution under responsibility for functions. Function 16 of the terms of references requires that the Audit Committee "shall prepare a report to Full Council on annual basis on its activity and effectiveness".

5.4 Risk Management

- 5.4.1 None in the context of this report

5.5 Equalities and Diversity

5.5.1 None in the context of this report

5.6 Consultation and Engagement

5.6.1 N/A

6. BACKGROUND PAPER

None

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Appendix 1

Audit Committee Annual Report 1st April 2017 – 31st March 2018

Cllr Anthony Finn
Chairman of the Audit Committee
July 2018

Contents

1. Introduction and overview

2. Summary of Audit Committee outcomes during 2017-8

3. Conclusions

Annex 1 –Schedule of actual work 2017-8

1. Introduction and Overview

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

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

Specifically:

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

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

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

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

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

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

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

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

1.3.5 Effective internal control and the establishment of an audit committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, an audit committee:

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

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

1.4 **Audit Committee at Barnet Council**

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

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

- 1.4.1 To bring additional expertise from the sector and financial capability the Audit Committee also has two independent members.
- 1.4.2 The Audit Committee has a work programme that has been drawn up to effectively discharge its responsibilities as defined by the terms of reference.
- 1.4.3 The Committee relies upon independent, qualified professionals to provide assurance. Directors and Assistant Directors (or equivalent grade) have attended Committee to support the process and to aid in the Committee’s effectiveness/understanding.
- 1.4.4 During the year 2017-18 the Committee undertook all of its meetings in the public domain. There have been two instances whereby items have been considered exempt and have been discussed in Part 2 of the meeting. These were the Prevent Follow-Up Audit Report (November 2017 meeting) and a Confidential Investigation Update (April 2018 meeting).
- 1.4.5 From July 2017 to the Local Election in May 2018 the Audit Committee had been chaired by Councillor Hugh Rayner, a member of the administration, for a one year period.
- 1.4.5 The Chairman during 2017-8 required senior officer attendance where there were high priority Audit recommendations and has continued to encourage public participation at the Audit Committee.

2. Summary of Audit Committee Outcomes during 2017-8

- 2.1 During the financial year (April 2017 – March 2018) the Audit Committee has demonstrated a number of outcomes with a focus on delivering improvement to the organisation. The way in which these were implemented were as follows: -
 - 2.1.1 **Key controls and assurance mechanisms.** The Committee relies upon information presented from qualified, independent and objective officers and external assurance providers. The key controls and assurance mechanisms are as described within the Annual Governance Statement. The Audit Committee is not a working group, it does not carry out the work itself, but relies on the assurance framework to bring significant issues to the Committee for discussion and make recommendations for the Executive and officers to take forward. The Committee recognises that management are responsible for a sound control environment¹.
 - 2.1.2 **Cross-Council Assurance Service (CCAS).** 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). In November 2017, CCAS was shortlisted in the Institute of Internal Audit (IIA) Audit and Risk Awards for the Outstanding Team award.

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

2.2. External Audit financial resilience and value for money. For 2017/18 BDO continue to be the Council's appointed external auditors.

2.2.1 In July 2017, in accordance with International Standard on Auditing (ISA) 260, the council's external auditors (BDO) provided a draft report on matters arising from the audit of the Council's Accounts. The ISA 260 report has to be considered by "those charged with governance" (The Audit Committee) before the external auditor can sign the accounts, which legally had to be done by 30 September 2017. At the time of consideration there were a number of outstanding items and therefore the accounts could not be signed on the 27th July 2017. An extraordinary meeting of the Audit Committee was subsequently arranged for the 19th September 2017 and the accounts were signed within the statutory timescales. The Council's external auditors did not identify any adjustments affecting the Council's financial position and the accounts were signed accordingly.

2.2.2 The key messages arising from the audit of the 2016/17 financial statements were:

- The auditors identified no evidence of material misstatement as a result of management override of controls, or systematic bias in the making of accounting estimates.
- The work on the significant risk of fraud in relation to revenue recognition identified no issues.
- There were no differences to be corrected in the final Statement of Accounts that affected the reported surplus for the year. A number of amendments to classifications and presentational adjustments were made but there were no unadjusted audit differences.
- The auditors identified some areas for improvement in respect of the Council's Narrative Statement.
- The auditors did not identify any significant control deficiencies, but did make a number of other recommendations.

2.2.3 In providing the opinion on the financial statements, the external auditors, concluded on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion). The Council received a qualified Value for Money opinion as a result of the 'inadequate' Ofsted rating for Family Services.

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

2.4.1 The Audit Committee has been provided with assurances on internal audit high priority recommendations and the progress against these quarter by quarter. The Audit Committee and its Chairman has asked that leading officers (Directors or Assistant Directors / Strategic Leads) to attend the Audit Committee to explain any deficiencies identified by Internal Audit and how they intend to address and action them. The important aspect that the Audit Committee has been assessing each quarter is whether the direction of travel from one quarter to the next has been improving via recommendations having been implemented. This focus on improving the control

environment through follow-up and discussion has made Delivery Units accountable for improvement. We followed up a total of 109 recommendations that had been raised and were due to have been implemented by the end of 2017/18. Of those, we found that 98 had been fully implemented by the year end, 9 were ongoing and 2 were outstanding. The direction of travel for implementing audit recommendations on a timely basis is therefore positive in 2017/18 with 90% of recommendations confirmed as having been implemented within agreed timescales (88% in 2016-17).

2.4.2 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control (i.e. the organisation’s system of internal control). The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation and is based on the work performed in 2017-18 but the conclusion should be considered in the context of the financial pressures facing the Council in a period where savings are required to be made but there is a greater demand for local services due to the borough’s growing population. For 2017-18 a ‘Limited Annual Internal Audit Opinion was given.

2.4.3 In line with the Scheme of Financing Schools, the Chief Finance Officer is required to deploy internal audit to examine the control frameworks operating within schools under the control of the Local Education Authority (“LEA”). In 2017-18, Internal Audit performed 24 schools visits and undertook 4 follow-up reviews.

2.4.4 Following the requirement of an extraordinary meeting of the Audit Committee an improvement plan was put in place to address issues in the production of the Statement of Accounts. This improvement plan was monitored throughout the period by the Section 151 Officer and Deputy plus updates were provided to the Audit Committee periodically. The 2017/18 Statement of Accounts were produced and submitted to BDO by the 31st May 2018 statutory deadline.

2.4.4 The **Internal Audit and the Corporate Anti-Fraud Team (CAFT)** functions, which are organisationally independent from the rest of the Council, have a combined Annual Plan approved annually by Audit Committee which demonstrates their commitment to joint working, making the best use of resources and avoidance of duplication of effort. This also enables them to ensure that any control weakness identified through fraudulent activity are followed up with recommendations to strengthen the control environment and noted on the service risk registers.

2.5 Issues external and internal assurances – during the year the Audit Committee has been presented with various reports regarding control weaknesses. Areas that received an Internal Audit ‘No / Limited’ assurance rating, or where a management letter identified areas of weaknesses and high priority recommendations, are listed below. The Committee has also continued to follow up all High priority recommendations within Reasonable Assurance reports where those recommendations are not implemented within the agreed timeframes. -

Review Title	Assurance rating	Number of High Priority recommendations
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Prevent – part of the Contest Framework	Management letter issued	4
Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase 2, Expenditure	Limited	3
Transformation – Benefits Realisation	Limited	3
Elections Management – Annual Canvass	Management letter issued	3
Pensions Administration (full risk-based review)	Limited	2
Accounts Payable	Limited	2
Regeneration – Benefits Realisation	Limited	2
Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase 1, Income	Limited	1
Nursery Places – Free Early Education Funding	Limited	1
Staff Performance Reviews	Reasonable	1
Contract Register Maintenance	Reasonable	1
Accounts Receivable	Reasonable	1
Fixed Asset Register	Reasonable	1
Eligibility to Work - Pre-Employment Checks (Non-Schools) (Joint with CAFT)	Reasonable	1
Troubled Families - Payment by Results - December 2017 submission: data integrity issues meant that this claim could not be verified and was not submitted.	Claim not verified	1

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

2.6.1 During 2017/18 the Council has been dealing with a significant financial fraud issue. This matter came to light late in December 2017 and the Council responded immediately with a set of follow up actions; a criminal investigation commenced immediately by our CAFT Team (with relevant support where required from the Police). The individual was an employee of Re and subsequently left that employment. In addition, enhanced financial controls were immediately implemented to safeguard the council's finances until a full review could be undertaken. An independent review of financial controls and a financial forensic analysis was commissioned.

The individual was summonsed to appear before Willesden Magistrates court on the 3rd July 2018, on two charges of Fraud by Abuse of Position, contrary to the Section 4 of the Fraud Act 2006. The individual gave no indication of plea and the matter was referred to Harrow Crown Court for a Plea and Trial Preparation Hearing on 31st July 2018. Further details including the outcome of this case will be reported once the criminal proceedings have been concluded.

Members of the Audit Committee were initially briefed on the matter in January 2018 and a further report was provided to the Audit Committee in April 2018 during exempt session (in accordance with Sections 100A-H and Schedule 12A Local Government Act

1972). The committee will continue to be kept updated as appropriate. On conclusion of the criminal investigation and any associated proceedings, a more detailed final report will be taken to the Audit Committee.

2.6.2 Blue Badge Fraud and Misuse featured heavily within the CAFT program in 2017-18 with 355 new referrals being received in this area. Officer resource was increased to combat what has proved to be an area of increasing fraud with 36 cases successfully prosecuted and 86 Formal Cautions issued, 51 Warning letters sent out and 2 cases referred to the Police. Eight joint street operations also took place which resulted in 56 Blue Badges being seized at the scene of the offence.

2.6.3 In relation to Tenancy Fraud CAFT investigations resulted in 61 properties being recovered during 2017-18, which include, 11 succession applications being denied and 14 emergency accommodation properties being cancelled. The savings that this number of recovered properties equates to is £9.15m (according to audit commission calculation of £150k per recovered property). Good work was also undertaken in relation to 'Right to Buy' applications – with 45 being denied as a result of CAFT intervention. There is a maximum discount of £103,900 per property on right to buy cases; this work has meant that CAFT have saved the loss of a property and an asset value loss of £4,169,000 in discounts in 2017-18 year.

2.6.4 In other areas of internal / corporate fraud 1 case relating to cancellations of fines was successfully prosecuted and 1 Simple caution was administered to an offender.

2.6.5 In relation to Proceeds of Crime (POCA) Investigation CAFT Specialist Financial investigators received 13 new cases in 2017-18. As well as carrying out PoCA investigation for the London Borough of Barnet, these specialist officers are now also assisting other local authorities with the PoCA element of their criminal cases

2.6.6 Whistleblowing matters are also reported to the Audit Committee. Three matters were referred under whistleblowing policy in the last year – summarised below: -

- Q1 A whistleblowing letter was received this quarter but this related to a grievance issue and the whistle-blower was informed how to raise the issue in accordance with the relevant HR Policy.
- Q3 A whistleblowing referral was received this quarter which was passed to appropriate service to deal with under the corporate complaints procedure
- Q4 A whistleblowing referral was received this quarter which is currently being investigated

2.7 **Planned and unplanned work** – The Committee has completed its work plan in accordance with its planned level of activity as detailed at annex 1.

3. Conclusions

3.1 In conclusion the Audit Committee feels that it has demonstrated that it has added value to the Council's overall Governance Framework.

3.2 Throughout 2018-19 the Audit Committee plans to continue to require senior officers to attend Committee meetings to aid in its understanding of the services and the issues identified

through the audit process, but mostly to ensure that internal and external recommendations are given the priority required and implemented on a timely basis.

- 3.3 The Audit Committee's focus will continue to be ensuring action is taken of internal control deficiencies and reviewing progress on a regular basis as well as commitment to improving shortfalls in the control environment, rather than apportioning blame.

Annex 1 – Schedule of actual work 2017-8

Detail Reports considered:

Audit Committee Meeting Date	Agenda Items
20th April 2017	<ul style="list-style-type: none"> • Internal Audit Exception Recommendations Report and Q4 Progress Report -1st January to 31st March 2017 Corporate Anti-Fraud Team (CAFT) Annual Report 2016-17 • Internal Audit Annual Opinion 2016-17 • Internal Audit & Anti-Fraud Strategy and Annual Plan 2017-18 • External Audit Plan 2016-17 • Audit Committee Work Programme 2016-17
27th July 2017	<ul style="list-style-type: none"> • Internal Audit Exception Recommendations Report and Q1 Progress Report - 1st April to 30th June 2017 • Corporate Anti-Fraud Team (CAFT) Q1 Progress Report 2017-18 • Draft Annual Governance Statement • Annual Report of the Audit Committee • Statement of Accounts and External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2016-17 • Audit Committee Work Programme 2017-18
19th September 2017 Extraordinary Meeting	<ul style="list-style-type: none"> • Statement of Accounts, External Auditor's Audit Completion Report and Annual Governance Statement for the year 2016/17
2nd November 2017	<ul style="list-style-type: none"> • Internal Audit Exception Recommendations Report and Q2 Progress Report, 1 July - 30 September

Audit Committee Meeting Date	Agenda Items
	<p>2017</p> <ul style="list-style-type: none"> • Improvement Plan • Accounts Preparation Timetable (verbal update) • External Auditor Progress Report (verbal update) • Corporate Anti-Fraud Team (CAFT) Q2 Progress Report 2017-18 • Audit Committee Work Programme
31st January 2018	<ul style="list-style-type: none"> • Internal Audit Progress Report 1 October-31 December 2017 • Corporate Anti-Fraud Team (CAFT) Q3 Report • Accounts Closure Improvement Plan • External Auditor - Annual Audit Letter • External Auditor - Grants Certification Work Report 2016 -17

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**London Borough of Barnet
Audit Committee Work
Programme
July 2018 – April 2019**

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

Subject	Decision requested	Report Of	Contributing Officer(s)
17 July 2018			
Report of the Chief Executive	The report set out the Council's response to the matters raised in the Annual Governance Statement and Head of Internal Audit Opinion	Chief Executive	
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	
Annual Governance Statement	To comment on and approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2017/18.	Assurance Director	
Internal Audit Exception Recommendations and Progress Report Q1 1st April – 30th June 2018 and Internal Audit Charter update	To note the progress against internal audit recommendations and work Completed to date on the Internal Audit Annual Plan 2018 -19 and high priority recommendations and updated version of the Internal Audit Charter	Head of Internal Audit	
Corporate Anti-Fraud Team (CAFT) Q1 Progress Report: 1st April – 30th June 2018	To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st April – 30th June 2018.	Assurance Director	Head of Counter Fraud Operations

Subject	Decision requested	Report Of	Contributing Officer(s)
Annual Report of the Audit Committee	The Audit Committee shall prepare a report to Full Council on an annual basis on its activity and effectiveness.	Chairman of Audit Committee	
Statement of Accounts and External Auditor's Audit Completion Report for the year 2017/18	To consider the External Auditors report to those charged with governance on issues arising from the audit of the Council's accounts. The committee will also be asked to approve the audited Statement of Accounts 2017/18.	Director of Finance – Section 151 Officer	External Auditors
22 November 2018			
Internal Audit Exception Recommendations and Progress Report Q2 1st July – 30th September 2018	To note the progress against internal audit recommendations and work Completed to date on the Internal Audit Annual Plan 2018 -19 and high priority recommendations.	Head of Internal Audit	
Corporate Anti-Fraud Team (CAFT) Q2 Progress Report: 1st April – 30th June 2018	To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st April – 30th June 2018.	Assurance Director	Head of Counter Fraud Operations
External Auditor Progress Report	To consider the progress report from BDO on their progress of external audit activities for 2018/19	Director of Finance - Section 151 Officer	External Auditors
31 January 2019			

Subject	Decision requested	Report Of	Contributing Officer(s)
Internal Audit Exception Recommendations and Progress Report Q3 1st October – 31st December 2018	To note the progress against internal audit recommendations and work Completed to date on the Internal Audit Annual Plan 2018 -19 and high priority recommendations.	Head of Internal Audit	
Corporate Anti-Fraud Team (CAFT) Q3 Progress Report: 1st October – 31st December 2018	To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st October – 31st December 2018	Assurance Director	Head of Counter Fraud Operations
External Audit Annual Audit Letter 2017-18	To consider the External Auditor's Annual Audit Letter for 2017/2018 on the Council's position in respect of the Audit of the Accounts, Financial Performance, Value for Money and Financial Resilience.	Director of Finance - Section 151 Officer	External Auditors
Grants Certification Work Report 2017/2018	To consider the report from the External Auditors on the Council's management arrangements in respect of the certification process for grants.	Director of Finance - Section 151 Officer	External Auditors
18 April 2019			

Subject	Decision requested	Report Of	Contributing Officer(s)
Internal Audit Exception Recommendations and Progress Report Q4 1st January – 31st March 2019	To note the progress against internal audit recommendations and work Completed to date on the Internal Audit Annual Plan 2018 -19 and high priority recommendations.	Head of Internal Audit	
Corporate Anti-Fraud Team (CAFT) Annual Report 2018-2019	To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 2018-2019	Assurance Director	Head of Counter Fraud Operations
Internal Audit Annual Opinion 2018-19	Each year the work of Internal Audit is summarised to give an overall opinion on the system of internal control and corporate governance within the Council	Head of Internal Audit	
Internal Audit and Anti-Fraud Strategy and Annual Plan 2019-20	To approve the 2019/20 Internal Audit and Corporate Anti-Fraud Team plan	Head of Internal Audit Assurance Director	Head of Counter Fraud Operations
External Audit Planning Report 2018-19	This report advises the committee of BDO's audit planning report for 2018/19	Director of Finance - Section 151 Officer	External Auditors

Items to be allocated

Subject	Decision requested	Report Of	Contributing Officer(s)
Ad Hoc Audit Reports	To commission work from Internal and External Audit arising from the consideration of other scheduled reports subject to them being proportionate to risk identified and with agreement from the Chief Executive. To review any issue referred to the Committee by the Chief Executive, a Director or any Council body		