

MEETING

AUDIT COMMITTEE

DATE AND TIME

WEDNESDAY 1ST MAY, 2019

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

Vice Chairman: Councillor Peter Zinkin

Councillor Laithe Jajeh

Councillor Kathy Levine

Councillor Arjun Mittra

Councillor Alison Moore

Councillor Alex Prager

Independent Members

Geraldine Chadwick

Richard Harbord

Substitute Members

Councillor Melvin Cohen

Councillor Lachhya Gurung

Councillor Anne Hutton

Councillor Reema Patel

Councillor Lisa Rutter

Councillor Alan Schneiderman

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10AM on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is Friday, 26 April 2019 at 10AM. Requests must be submitted to Maria Lugangira maria.lugangira@barnet.gov.uk

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

Andrew Charlwood – Head of Governance

Governance Service contact: Maria Lugangira 020 8359 2761

Media Relations Contact: Gareth Greene 020 8359 7039

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ORDER OF BUSINESS

| Item No | Title of Report | Pages |
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| 1. | Minutes of last meeting | 5 - 8 |
| 2. | Absence of Members (If any) | |
| 3. | Declaration of Members' Disclosable Pecuniary interests and Non Pecuniary interests (If any) | |
| 4. | Report of the Monitoring Officer (If any) | |
| 5. | Public Question and Comments (If any) | |
| 6. | Members' Items (If any) | |
| 7. | Improvements to financial controls; Progress report on the Grant Thornton recommendations and action plan | 9 - 20 |
| 8. | Internal Audit Exception Recommendations Report and Q4 Progress Report 1st January to 31st March 2019 | 21 - 60 |
| 9. | Corporate Anti-Fraud Team (CAFT) Annual Report 2018/19 | 61 - 88 |
| 10. | Internal Audit & Anti-Fraud Strategy and Annual Plan 2019-20 | 89 - 120 |
| 11. | Audit Progress Report | 121 - 132 |
| 12. | Certification of Grant Claims | 133 - 162 |
| 13. | Committee Forward Work Programme | 163 - 168 |
| 14. | Any item(s) the Chairman decides are urgent | |

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Decisions of the Audit Committee

31 January 2019

Members Present:-

AGENDA ITEM 1

Councillor Anthony Finn (Chairman)
Councillor Peter Zinkin (Vice-Chairman)

Councillor Laithe Jajeh
Councillor Kathy Levine
Councillor Arjun Mitra

Councillor Alison Moore
Councillor Alex Prager

Also in attendance
Geraldine Chadwick – Independent Member

1. MINUTES OF LAST MEETING

RESOLVED that the minutes of the meeting held on 22nd November 2018 were agreed as a correct record.

2. ABSENCE OF MEMBERS (IF ANY)

An apology for absence had been received from Richard Harbord, Independent Member.

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

| Member | Item | Interest Declared |
|-------------------------|---|--|
| Councillor Alison Moore | Item 8 - Internal Audit Exception Recommendations Report and Q3 Progress Report 1st October to 31st December 2018 | She informed the Committee that she was a governor at the Squires Lane Learning Federation which covered Tudor School. |

4. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

5. PUBLIC QUESTION AND COMMENTS (IF ANY)

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

A public comment was made by Mr John Dix, on Item 8 - Internal Audit Exception Recommendations Report and Q3 Progress Report.

6. MEMBERS' ITEMS (IF ANY)

None.

7. IMPROVEMENTS TO FINANCIAL CONTROLS - PROGRESS REPORT ON THE GRANT THORNTON RECOMMENDATIONS AND ACTION PLAN

The Director of Finance (s151) introduced the report which provided the Committee with an update on the progress made on the action plan set out by GT LLP (UK) as part of their independent report called Review of Financial Management Relating to CPO Fraud, following a substantial fraud committed by a former Re (Regional Enterprise) employee.

The Head of Internal Audit took the Committee through Action Plan, with focus on the actions rated Amber and Red.

The Committee expressed their concern at the red rated Recommendation G15 which has a Priority of 'High, immediate' and had not yet been implemented and the possible consequences arising from this.

Recommendation G15 related to two new process documents agreed following the GT review. As part of the testing to confirm if the processes had been complied with the Head of Internal Audit stated that a number of exceptions had been found and as such could not confirm that the actions had been implemented. It was further reported that a former employee of CAPITA had instructed the AP team not to implement the new procedures. She further updated the Committee that since the publication of this report the CAPITA Operations Director had instructed the accounts payable department to now fully comply with the new processes.

The Director of Finance explained in detail the validation and payments processes in relation to (i) a regular supplier and (ii) a one-off supplier.

The Head of Internal Audit confirmed that follow ups would be reported back to the Committee's next meeting in May.

RESOLVED – That the Audit Committee noted the progress that has been made towards the completion of the GT Action Plan.

8. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS REPORT AND Q3 PROGRESS REPORT 1ST OCTOBER TO 31ST DECEMBER 2018

The Head of Internal Audit presented the report which provided the Committee with progress against Internal Audit (IA) recommendations and work completed to date on the Internal Audit and Corporate Anti-Fraud (CAFT) Plan 2018-19 and high priority internal audit recommendations. In this quarter, the priority for the internal audit team was to confirm the implementation of the remaining actions arising from the Grant Thornton Review.

During this quarter 17 reviews were completed and a total of 39 high priority actions followed up. Of those, 19 actions had been confirmed as implemented (49%) and 20 as partially or not implemented (51%).

With regards to the Equalities Data – Quality and Analysis review she explained that significant issues had been found around the processing and interpretation of equalities data at the Council. The 2 key findings related to (i) staff performance reviews and (ii) mandatory gender pay gap reporting.

The Strategic HR Director provided assurance in response to the public question no. 2 that the recommendations would be implemented by 31st March 2019 as this was statutory duty in terms of gender pay reporting and safeguarding reporting.

With regards to corrective action on Gender Pay reporting the Strategic HR Director explained options were being explored with a view to commissioning software that would calculate the raw data and mitigate against the issues identified in the audit.

With regards to the equality and employment data the Strategic HR Director explained that the data collected about employment is voluntarily provided by employees when they start. Therefore, a process is needed by which this information can be updated as the position changes. She reiterated that as this information is voluntary it makes it difficult have the complete information to the level that provides the full picture.

Regarding the ethnicity pay gap, she confirmed there hadn't as yet been a review and undertook to look into this and circulate the information to the Committee **[ACTION]**

Regarding the follow ups on page 40 – 50 the Committee expressed concern (raised at previous meetings), at the level of slippage/revised dates occurring on actions that have been agreed with management - concern more so on those targets past their 6-month delivery date. The Committee recognised the challenge that officers faced to get the actions implemented but reiterated the seriousness of this issue and requested that their concerns and the importance of getting this right in the first instance are fed back to Head of Services. **[ACTION]**

The Head of Internal Audit confirmed that the implementation of the high priority actions will be reported back to the May.

RESOLVED - That the Committee note the work completed to date on Internal Audit Q3 progress report - 1st October to 31st December 2018

9. CORPORATE ANTI-FRAUD TEAM (CAFT) Q3 PROGRESS REPORT 2018-19

The Director of Assurance presented the report which provided the Committee with an update on the work undertaken by the council's Corporate Anti-Fraud Team during the quarter.

She provided the Committee with a brief summary of 'International Fraud Awareness Week' which ran from 11th – 17th November 2018 and some of the activities undertaken to raise fraud awareness and give advice on how to report concerns both internally, for members of staff and externally for members of the public.

With regards to Tenancy Fraud she confirmed that the properties recovered are brought back into the Council's housing stock

RESOLVED - That the Committee note the CAFT Progress Report covering the period 1st October – 31st December 2018

10. EXTERNAL AUDIT PLAN 2018/19

The External Auditor, BDO, presented the report which detailed for the Committee the audit plan for 2018/19. The purpose of the audit plan is to highlight to the Committee the key elements of BDO's external audit strategy for the audit for the year ended 31 March 2019.

RESOLVED -

- 1. The Audit Committee noted BDO's audit plan for 2018/19.**
- 2. The Audit Committee noted the fee of £197,262 for the 2017/18 audit and the fee of £21,617 for certification of the housing benefits subsidy return, as set out in paragraph 6.8.**

11. ANNUAL AUDIT LETTER 2017/18

The External Auditor, BDO, presented the report which summarised the key issues identified by the Council's external auditor, BDO LLP, during their audit and inspection activity. The letter is designed to communicate messages to the Council and external stakeholders, including members of the public.

RESOLVED –

- 1. That the external auditor's Annual Audit Letter for 2017/18 be received; and;**
- 2. That the Committee consider whether there are any areas on which they require additional information.**

12. COMMITTEE WORK PROGRAMME - MAY 2019

The Head of Internal Audit clarified for the Committee that 'Internal Audit Annual Opinion 2018-19' report currently scheduled for the May will be considered at the July meeting.

RESOLVED – That the Committee noted the work programme.

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

None.

The meeting finished at 9.35 pm

AUDIT COMMITTEE**1st May 2019**

| | |
|--------------------------------|---|
| Title | Improvements to financial controls; Progress report on the Grant Thornton recommendations and action plan |
| Report of | Director of Finance |
| Wards | Not Applicable |
| Status | Public |
| Urgent | No |
| Key | No |
| Enclosures | Appendix 1 - GT Recommendations Tracker |
| Officer Contact Details | Anisa Darr, Director of Finance, Anisa.Darr@barnet.gov.uk 020 8359 7634 |

Summary

This report provides a detailed update on the progress made on the action plan set out by GT LLP (UK) as part of their independent report called Review of Financial Management Relating to CPO Fraud, following a substantial fraud committed by a former Re (Regional Enterprise) employee.

Officers Recommendations

- 1. That the Audit Committee notes the progress that has been made towards the completion of the GT Action Plan;**
- 2. That the Audit Committee notes that further progress of remaining actions will be monitored as part of the Internal Audit report.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Council, working in partnership with Re and CSG, has undertaken significant activity to strengthen the financial control environment following the discovery of a significant fraud in December 2017. Grant Thornton (GT) were commissioned to carry out a detailed independent review of financial controls. As has been previously reported in at the July 2018, November 2018 and January 2019 Audit Committee meetings, this work, including that by Re and CSG colleagues, has led to an improvement in the robustness of the financial control environment, as a result of strengthened processes within CSG finance (until 31st March 2019, at which point the Finance Service was insourced; the service is now managed by the Director of Finance) and greater oversight, review and sign off by senior Council officers.
- 1.2 This report provides an update on the action tracker that was set up in response to the 32 recommendations contained in the GT report called Review of Financial Management Relating to CPO Fraud Finding and lessons learned (CPO stands for Compulsory Purchase Orders) dated 18th September 2018.
- 1.3 The approach taken by the Council and agreed with GT and Capita was that all the new process and other work would be “verified” prior to implementation. Once verified, it was agreed that testing would take place to ensure that the changes had been embedded. The verification process was reported as being complete for all of the 32 recommendations at the January 2019 Audit Committee
- 1.4 There are eight separate Internal Audit (IA) reviews taking place, which incorporate all the testing of the GT recommendations, along with other testing relevant to the area under review. Internal Audit are testing 27 recommendations as 4 are already completed and testing was not required, making 31 recommendations in total. GT32 is not a recommendation, but listed by GT separately as “further work”.
- 1.5 Following the last Audit Committee on 14st January 2019, more work needed to be done to ensure that all recommendations are fully embedded; at that Committee, one recommendation, GT15 relating to Payments was red, with the status of 4 other recommendations marked as “to be confirmed” as Internal Audit had not completed their assessment. The current status of the IA testing is set out in Table 1 overleaf:

Table 1 – Status of GT recommendations

| Ratings for recommendations | April 2019 | January 2019 |
|------------------------------------|-------------------|---------------------|
| Green (implemented) | 22 | 19 |
| Amber (partly implemented) | 5 | 3 |
| Red (not implemented) | - | 1 |
| To be confirmed | - | 4 |
| Completed~ | 4 | 4 |
| Total (excluding GT32) | 31 | 31 |

~Internal Audit testing not required as GT reviewed the actions

- 1.4 Since the January 2019 report, three additional recommendations have been implemented GT19, GT22 and GT23. GT15 has now moved into the amber category as new processes have been verified.
- 1.5 Appendix 1 has been revised to include the owner of each outstanding item post finance insourcing. This is applicable of all the amber recommendations GT4, GT15, GT16, GT20 and GT21.
- 1.6 It is noted that this will be the final separate report covering the improvements to controls, any outstanding items will be captured within the 2019/20 internal audit plan. Items that are not fully implemented prior to 1st May Audit Committee are suggested to be continuingly followed up as part of the appropriate 'Business as Usual' audits as follows;

| GT ref | GT finding | Proposed Audit | Provisional timing |
|---------------|--|--|---------------------------|
| GT4 | Managing access and authorisation rights on IT systems | HR Processes (post insourcing) | Q2 |
| GT15 | BACS process for new suppliers | Accounts Payable (2018/19 review still at fieldwork stage) | Q1 |
| GT21 | Capital Budgets (BDM) | Capital Budget Monitoring | Q2 |
| GT16 | Duplicate banking details | Accounts Payable (2018/19 review still at fieldwork stage) | Q1 |
| GT19 | Role of Finance Business Partners | Revenue Budget Setting and Monitoring | Q1 |
| GT20 | Capital Budget Review | Capital Budget Monitoring | Q2 |

2. REASONS FOR RECOMMENDATIONS

- 2.1 Member will note that significant progress has been made towards successfully completing the embeddedness of all the new process and other action, but that there is still more work to do. A further report will be made to the May Audit Committee

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable

4. POST DECISION IMPLEMENTATION

- 4.1 Not applicable

5. IMPLICATIONS OF DECISION

- 5.1 **Corporate Priorities and Performance**

5.1.1 Not applicable

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

5.2.1 The cost of the GT report and interim financial resource to support the delivery of the work programme has been met by Capita. Funding for Barnet auditing of Capita is agreed annually.

5.3 Social Value

5.3.1 None in the context of this decision

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.

5.5 Risk Management

5.5.1 This work has contributed to a significant reduction of risk in a key area

5.6 Equalities and Diversity

5.6.1 None in the context of this decision

5.7 Corporate Parenting

5.7.1 None in the context of this decision

5.8 Consultation and Engagement

5.8.1 None in the context of this decision

5.8 Insight

5.8.1 None in the context of this decision

6. BACKGROUND PAPERS

- 6.1 Report of the Chief Executive 17th July 2018:
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&MId=9493&Ver=4>
- 6.2 Report of the Chief Executive 22nd November 2018:
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&MId=9494&Ver=4>
- 6.3 Report of the Director of Finance 31st January 2019
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&MId=9495&Ver=4>

Appendix 1 - GT Recommendations tracker

Action Plan (appendix A GT report)

| GT Rec No | Recomm | Recommendation detail | Priority | Action | Current Testing Status April 2019 | 31st Jan Audit Committee Testing Status | Action owner from 1 April 2019 | Current comments |
|-----------|--|--|-----------------|---|-----------------------------------|---|--------------------------------|--|
| 1 | Scheme of Delegation for Growth and Development | We recommend that the Scheme of Delegation for Growth and Development is updated to reflect current role descriptions and specifically to include Regeneration team members currently omitted. Current definitions of financial roles and responsibilities across the organisation should be revisited to make sure they remain fit for purpose and provide for robust governance | High, immediate | Re to provide proposal on delegations/authorisations for agreement by S151 officer/LBB. CSG to update financial delegations (see GT8 and 9). | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |
| 2 | Integra system authorisers | We recommend that the listed budget holder authorisers on the Integra system be reviewed and controls put in place to ensure the list is kept up to date. | High, immediate | Review and validate listed budget holders and budget managers on Integra, making changes where required based on updated Schemes of financial delegation/authorisation (see GT9). Put in place controls to ensure the lists of financial authorisers and Integra are kept up-to-date. | Implemented | Implemented | | Implementation confirmed and recommendation closed at January 19 Audit Committee. |
| 4 | Managing access and authorisation rights on IT systems | IT system controls have been set up on Integra and supporting systems such as Bankline, that determine the level of access that individual users can have to financial systems and the ability to authorise transactions. These permissions have also historically been used for manual processes, such as a CHAPs payment request, to determine if the individual is the budget holder. The effectiveness of these controls is dependent on systems being kept up to date for starters/ leavers and transfers. A failure in this control could lead to inappropriate individuals having control of budgets and authorisation to request or authorise journals and payments. We noted a potential weakness in controls to ensure that any changes made to access rights and authorisation levels for IT systems, are appropriate to the individuals role, e.g. following a change in role or for starters and leavers. We recommend that additional controls be introduced to mitigate this risk. | High, immediate | CSG to develop and implement additional control measures to ensure access rights and authorisation levels on Integra are correct for all staff, include for starters, leavers and movers. | Partly Implemented | Partly Implemented | LBB - Strategic HR Lead | We completed an audit of 'Integra Access Management' in December 2018 to give assurance over this action. A high priority issue was identified around the removal of Leavers from Integra. The process for removing Leavers from Integra is due to be redesigned as part of a wider Starters and Leavers project being led by HR but also involving Finance and IT. The timeline and details for this project have not yet been confirmed, therefore this action remains Partly Implemented. The "Instruction" tab of the "Integra User Setup Form" template has been updated to reflect the additional requirement where the new user has a financial authority limit in Integra in line with the "Managing Access and Authorisation Rights for IT systems v1.02 " as follows: "If a new user is allocated a financial authority limit which allows them to approve expenditure within the system, the form is required to be approved by an assistant director or above with the additional requirement that the financial authority limit being awarded to a new user must be approved by someone with a higher authority limit." The user accounts highlighted as a potential risk during the 'Integra Access and Program Change Management' audit have been deactivated. The following retrospective controls were tested in Q4 and found to be operating effectively: <ul style="list-style-type: none"> • Upon receipt of leavers or amendment forms, the necessary changes are made in Integra within 2 working days. Audit trail evidence is kept. This is now done via E-Forms. • On a monthly basis, CSG continue to verify the leavers lists from HR Barnet and Capita and these are used to independently check that users have been disabled. Where required, follow up to line management will be undertaken. Audit evidence of this check is retained. • The control where users are locked out automatically after 45 days inactivity remains in place. |
| 10 | Master schedule of CPO payments in progress | Re should provide evidence that a master schedule of CPOs is in place for all regeneration projects, which should be used for cross checking payments made. | High, immediate | Re to provide monthly schedule of CPO transactions to CSG Finance, along with formal supporting documentation (such as final valuation report) and ensure this process is documented. | Implemented | Implemented | | Implementation confirmed and recommendation closed at January 19 Audit Committee. |
| 11 | Process for reclaiming cost of CPO | We recommend that Re are asked to provide explanation of the process for reclaiming the cost of CPO payments from developers and matching these to payments made. | High, immediate | as per recommendation | Implemented | Implemented | | Implementation confirmed and recommendation closed at January 19 Audit Committee. |
| 12 | Potentially fraudulent transactions and invoices to Developers | There is a significant risk that invoices raised to developers from cost centres 11541 and 11362 include costs that are associated with the potentially fraudulent transactions identified. We recommend a detailed investigation of these cost centres to ascertain if inappropriate amounts have been invoiced and potentially reimbursed by developers. | High, immediate | CSG to reconcile the fraudulent transactions against developer invoices. Significant risk, but small chance. | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |

| GT Rec No | Recomm | Recommendation detail | Priority | Action | Current Testing Status April 2019 | 31st Jan Audit Committee Testing Status | Action owner from 1 April 2019 | Current comments |
|-----------|--|---|-----------------|---|-----------------------------------|---|--|--|
| 15 | BACS Process for new suppliers | We recommend that the BACS process be reviewed for the adequacy of controls over new suppliers where there is no purchase order (such as E-form payments). | High, immediate | CSG to review process for one time vendors, propose improvements and implement. | Partly Implemented | Not implemented | CSG - Accounts Payable | Two new processes, API E-forms and New Suppliers / Amendments, were verified by GT. The application of these processes was delayed and they ultimately went live from 31st January 2019. We agreed to test a sample of February 2019 payments to confirm whether the processes had been followed for that first month. This testing was delayed due to an incorrect report being provided twice. The correct report was received by Internal Audit on 12th March. We have now tested samples of One Time Vendor (OTV) payments and non-OTV payments. A consolidated list of queries has been provided to Accounts Payable in Chichester and we have a meeting booked on 15th April to resolve any remaining queries at that stage. Provided the testing has shown that the two new processes are being followed GT15 will move to Implemented. A verbal update will be given to Audit Committee. |
| 17 | Process note for Journals | We recommend that a development of a process note for Journal processing and its dissemination to staff. This should include a checklist for the officer processing the journal, to ensure that adequate explanation for the journal has been provided along with robust, preferably supporting evidence, preferably from 3 rd parties. | High, immediate | Expand journal template to include a guidance note and communicate to all CSG finance staff and other relevant officers. Remind CSG staff of the supporting documentation and approval that must be in place before journals are entered and approved. | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |
| 21 | Capital budgets | We recommend that all capital budgets are recorded on the Integra general ledger system and that opportunities are explored to use the BDM system to improve the ability of budget holders to access up to date information on capital budgets. | High, immediate | Record all capital budgets on the General Ledger in Integra and determine a process to keep them up-to-date. Propose and subsequently implement a budget monitoring solution (which may be Integra) that provides budgets holders and managers with up-to-date information on capital budgets and supports effective budget monitoring. | Partly Implemented | Partly Implemented | Assistant Director of Finance (CSG) - proposal Director of Finance (LBB) - approval | Our testing confirmed that there were capital cost centres in Integra for all capital budgets. The Integra budget monitoring module, BDM, has not been implemented in Integra for capital budgets. Forecasts by budget managers for capital budgets are recorded on capital budget monitors in an Excel spreadsheet format. These are provided by e-mail to budget managers for completion each month. A proposal document has been provided to LBB's Director of Finance by CSG. However, it has not yet been agreed. |
| 27 | Documented procedures for regeneration projects. | Part A Clarification should be sought and evidence provided from Re management on the existence of: a) formal documented processes and controls that apply to all regeneration projects (including but not limited to CPO related aspects), and the extent to which these vary for each project. In addition: Part B Re management should provide information on and evidence that training of staff in regard to these procedures at induction and Part C in terms of ongoing CPD and risk management has taken place, and the means by which they ensure that project managers are adhering to the agreed processes. | High, immediate | A) and B) Re to produce documents detailing the monthly process of managing and reporting the finances of regeneration projects. Re to ensure that the updated CHAPS and BACS payments introduced into the finance processes are referenced in any process changes and in the flowchart. C) Re to provide evidence that procedures outlined in GT1a are incorporated into ongoing CPD. | Implemented | Implemented | | Implementation confirmed and recommendation closed at January 19 Audit Committee. |
| 3 | Specific levels for authorisers on Integra | It is not clear that budget holders with authority to request payments held on the Integra General Ledger system, have been set authorisation limits for the value of transactions that are fully consistent with their role. This could lead to individuals being able to authorise payment for inappropriately large sums. We recommend that the list of individual authorisation levels for the value of transactions, be reviewed for appropriateness. | Medium | Review authorisation levels and provide proposed Financial Scheme of Delegation/ Financial Authorisation Schemes to the S151 officer, working closely with LBB and strategic partners. Ensure this is implemented on Integra (links to GT8). | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |
| 5 | Compliance with new Treasury Payment Procedure | We recommend that the new Treasury Payment Procedure be tested for compliance after a suitable period | Medium | LBB Internal Audit to test revised process in September 2018. | Implemented | Implemented | | Testing completed and recommendation closed - no significant issues noted. |

| GT Rec No | Recomm | Recommendation detail | Priority | Action | Current Testing Status April 2019 | 31st Jan Audit Committee Testing Status | Action owner from 1 April 2019 | Current comments |
|-----------|---|---|----------|---|-----------------------------------|---|--------------------------------|---|
| 6 | Direct requests for payment from legal advisors | We note that the process for the West Hendon regeneration project indicates that the instruction to make the CHAPS payment should come directly from the solicitors to the Barnet CSG Treasury Team. In some cases these requests appear to have been forwarded by the Regeneration Manager. We recommend that this separation of duties be considered for all CPO transactions. | Medium | Re to document proposed process for CHAPs instructions (including documents to be sent) and agree with CSG and LBB. This action incorporates GT5. | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |
| 7 | Adequate evidence for transactions | We recommend the development of a guidance note or checklist for Re managers, to help them ensure that the required evidence is included with a CHAPS payment request | Medium | Re to produce guidance note. Links to GT1. | Implemented | Implemented | | Implementation confirmed and recommendation closed at January 19 Audit Committee. |
| 8 | Supervisory checks within Re | We recommend that appropriate supervisory checks be put in place by Re for all projects, prior to the issue of requests for payment by CHAPs being issued to the CSG Treasury Team. | Medium | Re to document management oversight within Re for all projects prior to CHAPs being issued. | Implemented | Implemented | | Implementation confirmed and recommendation closed at January 19 Audit Committee. |
| 9 | Dual signatories for Authorisation | Under the new Treasury Payment Procedure the approved authorisers have been reviewed and defined, however we note that the new requirement for a dual signature for all Payments includes provision that 'best endeavour' will be made to make sure that there is one signatory from each of Barnet Council and CSG. In our view, this creates uncertainty which could undermine the control and it may be better to base this requirement on specific authorisation levels for all payments. | Medium | Best endeavours' to be removed from Treasury Payment Procedure which will be amended to require one signatory from each of Barnet Council and CSG; | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |
| 13 | Accounting for Private Treaty Acquisitions (PTA) and Compulsory Purchase Orders (CPO) | a) The accounting implications of PTA/CPO transactions managed through regeneration related control accounts should be reviewed to ensure that transactions associated with PTA/CPO purchases are appropriately accounted for in the Council's financial statements, particularly in regard to capital accounting and the balance sheet. b) In addition, we recommend the CSG Finance team reconciles the Authority's Asset Register with the Atrium valuation system to ensure all acquired assets have been accounted for in line with the recommended value where title has passed to the Authority. | Medium | a) IA to review use of control accounts and IA to review 17/18 accounts b) CSG to propose alternative response to the GT proposal to reconcile the asset register with the Atrium Valuation system, which will be reviewed for acceptability by LBB/GT | Implemented | Implemented | | Implementation confirmed and recommendation closed at January 19 Audit Committee. |
| 14 | CIL, S106 Payments and Private Treaty Agreements | We recommend that the process for processing CIL, S106 payments and Private Treaty Agreements be reviewed for the adequacy of controls and the prevention of fraud, including scrutiny of specific transactions. | Medium | Carry out recommendations from the Internal audit review of CIL and S106. Internal Audit to include coverage of PTAs when conducting follow-up review of CIL and S106 | Implemented | Implemented | | |

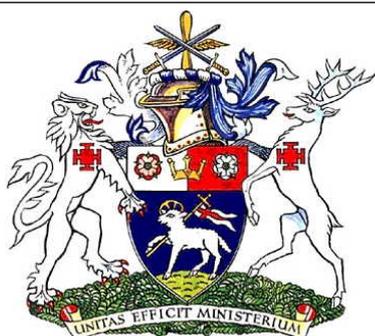
| GT Rec No | Recomm | Recommendation detail | Priority | Action | Current Testing Status April 2019 | 31st Jan Audit Committee Testing Status | Action owner from 1 April 2019 | Current comments |
|-----------|-----------------------------------|--|----------|--|-----------------------------------|---|--------------------------------|--|
| 16 | Duplicate banking details | The Masterfile supporting the BACS payment process does not automatically identify and flag payments made to different suppliers/recipients that had the same bank account number. There was also no manual control in place to identify BACS and CHAPS payments made to different suppliers which had the same bank accounts. We recommend that this control be considered as an addition to the new Treasury Payment Procedure. | Medium | Put in place controls to identify BACS and CHAPS payments made to different suppliers with the same bank accounts and update the Treasury Payment Procedure accordingly. Any exceptions need to be clearly documented and assurance provided around the controls relating to those processes. | Partly Implemented | Partly Implemented | CSG - Accounts Payable | See GT15, testing of February transactions underway. The introduction of the new process around API E-forms, which went live on 31st January 2019, should have prevented repeat payments to OTVs or the same bank account number without the recipient being set up as a supplier, which involves more stringent checks and controls. Provided we can confirm this via our testing this action will move to Implemented. |
| 18 | Journal request templates | We recommend that journal processing be reviewed further to ensure that Integra journal request templates are properly completed and that there is evidence of a robust review and approval process. | Medium | Review ongoing implementation of actions from GT31. | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |
| 19 | Role of finance business partners | We found that in a number of cases, finance business partners supporting Re had not challenged a number of unusual balances on control accounts and movements on cost centres. This could be due to the level of knowledge they had around the service and the activity that was being reviewed, for example, new costs accumulating on the control account for a project that was substantially complete. We recommend that finance business partners be equipped to take a more active role in confirming that movements on budgets and control accounts are consistent with the underlying activity, ensuring that appropriate monthly monitoring reports are being sent to budget holders. | Medium | a) Clearly document the role and expectations of Finance Business Partners (including levels of support and challenge to service areas) and the level of skills, knowledge and experience required. Agree this with LBB. b) Develop and implement learning and development plans for Finance Business Partners as individuals and a group to equip them to take a more active role in line with the agreed role/expectations, ensuring they have an understanding of the business that enables them to effectively support and challenge c) Ensure Finance Business Partners are providing levels of support and challenge in line with agreed role/expectations | Implemented | TBC | | Testing completed and recommendation closed - no significant issues noted. |
| 20 | Capital budget review | We recommend that the budget monitoring process for capital schemes be reviewed to determine if additional and proportionate review controls could be implemented to improve the ability of finance business partners and senior management to detect unexpected variations. | Medium | Review and revise current capital budget monitoring process (to include frequency and detail of reporting see GT16). | Partly Implemented | TBC | LBB - Director of Finance | 1. Documented procedures CSG Capital Budget Monitoring Process V1.0 and the BP Handbook – October 2018 "Budget Holders and Finance Business Partners Roles and Responsibilities" now define the capital budget monitoring process clearly. These are saved on the Council's Intranet where they are available for referral. Our testing found that 1/13 and 8/13 budget managers interviewed were not aware of the CSG Capital Budget Monitoring Process V1.0 and BP handbook respectively. 2. 9/13 budget managers had not attended budget monitoring training to communicate the core principles of budget monitoring. 3. Our testing confirmed that capital budget monitors were not always provided to budget monitors within the first 2 working days each month in line with procedure increasing the risk of their completion being rushed and subject to error. Our testing showed that of 20 capital cost codes tested 10 (50%) were provided late (average 4 days) in 13/51 (25%) of periods tested across periods 6, 8 and 9 (June, November and December 2018). 4. In terms of overall governance, our interviews and testing across 20 capital cost centres within the Council's 2018-19 Capital Programme confirmed the regular provision, completion, challenge of capital budget monitors by budget specified budget manager supported by Finance Business Partners. It is also confirmed the recording of capital monitor detail in Finance/Management reports for review at Senior Management Team meetings and Boards, for example, the Education Capital Board. Specific testing confirmed that actual budget figures reported in capital budget monitors matched Integra (20/20 cases). However, the following exceptions were noted: We requested the rationale behind the M8 (November 2018) forecasts for 20 capital cost centres. We received 13 responses of which evidence provided for 5 (38%) suggested the M8 forecasts were materially incorrect. We requested the Finance / Management Reports for M8 and M9 to assess whether the budget figures reflected what was in the agreed capital budget monitor and whether there was a commentary recorded for variances between forecast and budget figures. • For M8, the Finance Reports/Management Reports were received covering 8/20 budgets. For 2/8 (25%), forecast in the Finance/Management Reports did not match the capital monitor by ~£1m in each case and did not have a commentary for variances. • For M9, Finance Reports/Management Reports were received covering 5/20 capital cost centres. For the 5 responses received, the Finance/Management reports matched the capital budget monitor and a commentary was recorded for all variances between forecast and budget. As a significant amount of information was not provided during fieldwork we cannot provide a full assurance on the accuracy of forecasts and Finance/Management Report in M8/M9. For M8 we tested whether the budget figures reported in capital budget monitors agreed to the budget figures reported in Integra. For 5/20 (25%) budgets the capital budget monitor figures were different in Integra. At M8 we calculated the ratio of actual to forecast with 4 months remaining until 31 March 2019. 7/20 budgets showed a ratio of 40% or less having been spent in 8 months suggesting a potentially unrealistic forecast with only 4 months left to go. The range was 0-36%. We picked 40% as a basic cut off but obviously if profiled evenly over the year you would expect 8/12 to have been spent at M8 i.e. 66%. Agreed Action 1: Capital budget monitoring training will be developed for budget managers. Budget Managers will complete/attend related training where assessed as necessary. Agreed Action 2: FBPs will consistently provide capital budget monitors to budget managers for completion within the first 2 days to maximise the time for consideration and completion of forecasts. Agreed Action 3: FBPs will ensure that the budgets in Capital Monitors and Integra align. Agreed Action 4: FBPs will consider the ratio of actual to forecast and the remaining periods to year end as part of their challenge of budget manager forecasts. Agreed Action 5: The capital budget monitoring training referred to above will include raising awareness of the detrimental impact of forecasting to budget for capital; e.g. due to the borrowing costs associated with funding the capital programme. |

| GT Rec No | Recomm | Recommendation detail | Priority | Action | Current Testing Status April 2019 | 31st Jan Audit Committee Testing Status | Action owner from 1 April 2019 | Current comments |
|-----------|--|---|----------|---|-----------------------------------|---|--------------------------------|---|
| 22 | Capital budget monitoring information | We recommend that more regular and detailed capital monitoring reports be made available to budget holders to improve their ability to detect unexpected variances. | Medium | Provide more regular and detailed capital monitoring reports (links to GT14). | Implemented | TBC | | Testing completed and recommendation closed - no significant issues noted. |
| 23 | Roles and responsibilities for capital budget monitoring | We recommend that the respective responsibilities of Re, CSG and Barnet Council in regard to Capital budget monitoring are reviewed and more clearly defined. | Medium | CSG to propose respective responsibilities for capital budget monitoring (working with LBB and strategic partners to develop and agree) and document these. | Implemented | TBC | | Testing completed and recommendation closed - no significant issues noted. |
| 24 | Monitoring of Control accounts | We recommend that balances held on control accounts under the indemnity agreements, are included in the budget monitoring information and in the GROB highlight report. This should include narrative on variances against a zero budget provided by budget holders and validated by business partners. | Medium | Enhance monthly reporting to include control account balances and accounting treatment, and ensure this is understood by Finance Business Partners and budget managers and holders. | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |
| 25 | Control accounts | The policy of using of control accounts for recording PTA/CPO transactions should be reviewed. We recognise that this can be a legitimate and useful method of accounting in some circumstances, but there is a risk that comparatively large income and expenditure transactions are not accounted for with sufficient transparency. The lack of a specific budget against which accumulated costs and income can be measured can also serve to reduce the organisation's ability to monitor transactions. | Medium | Policy of using control accounts for recording PTA/CPO transactions to be reviewed | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |
| 26 | Principle Development Agreement (PDA) Caps and Budget Monitoring | In order to manage the risk of accumulating unbudgeted liabilities on Regeneration cost centres, we recommend that expenditure against the PDA cap is reflected in the budget monitoring process for relevant cost centres, and forecast overspends against the cap are reported to business partners as part of the monthly cycle, and to GROB if the balances become significant an may require an adjustment to the budget. | Medium | Re to provide documentation about what is to be reported to Business partners and GROB going forward in respect of PDA caps and subsequently implement. | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |
| 28 | Supervision of regeneration managers | We recommend that Re take steps to ensure that Regeneration Managers are subject to closer supervision within Re to ensure that projects are being properly executed and to provide assurance on business continuity. Specifically, we recommend that Re re-reinstates a Head of Regeneration Role or a satisfactory equivalent, to whom all regeneration managers report, and who has overall responsibility for all regeneration schemes within Re. | Medium | Re to provide management oversight proposal to ensure that projects are being properly executed and to provide assurance on business continuity. | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |

| GT Rec No | Recomm | Recommendation detail | Priority | Action | Current Testing Status April 2019 | 31st Jan Audit Committee Testing Status | Action owner from 1 April 2019 | Current comments |
|-----------|-------------------------------------|---|----------|---|-----------------------------------|---|--------------------------------|---|
| 29 | Communication and training of staff | We recommend that key lessons learned from this review be communicated to relevant staff involved in financial processing across Re, CSG and Barnet Council and incorporated into existing training programmes. This should emphasise the importance of meeting standards of professional ethics and behaviour set out by the professional accountancy bodies, particularly in regard to fraud prevention and cover financial skills for budget holders. | Medium | Develop communications and training plan across CSG, RE and LBB, with particular focus on ethics and professional standards and financial skills, and rollout. | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |
| 30 | Developing the ToR | We recommend that during the stakeholder engagement to develop the ToR for the Key Financial Systems review, greater rigour should be applied to: <ul style="list-style-type: none"> making sure that all required stakeholders engage fully in the process understanding the process to be tested, in order to identify key risks ensuring that the design of controls mitigates all key risks identified ensuring that planned audit tests adequately interrogate the controls | Medium | a) Obtain explicit agreement from S151 Officer to updated audit approach b) year 1 - full review/systems documentation to be completed for all KFS | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |
| 31 | Weighting Risks in testing | We recommend that, during internal audit sample selection, greater consideration is given to weighting the sample towards those transactions that are potentially higher risk, either inherently (such as unusual or high value items) or as a result of a more complex process, for example, CHAPs payments requested from outside of the Treasury Team. | Medium | a) Incorporate approach immediately on all audits e.g. 'Integra - GL' and 'Banking and Payment Arrangements' b) Update Audit Manual to better reflect this requirement c) provide training to team on this point at next IA meeting | Implemented | Implemented | | Implementation confirmed and recommendation closed at November Audit Committee. |

GT Further Work Appendix B

| | | | | | | | | |
|----|--|--|-----------------|--|-------------|-------------|--|---|
| 32 | Review of cost centres and fraudulent transactions | Further work will be required to confirm the destination of the fraud within the Council's accounts. The proposed next steps are as follows : a) investigation of the cost centres to which elements of the fraud from year 1 might have been transferred, including a review of year end reconciliations for these cost centres b) Review of transaction reports provided for the whole of year 2 for cost centre 3 and cost centre 4 in order to ascertain whether fraudulent payments remained on these cost centres or have been reallocated c) interrogations of transactions within cost centre 2 during years 1 and 2, using information provided by Re | High, immediate | Agreed per recommendation - CSG to perform the analyses and GT to review on completion | Implemented | Implemented | | Recommendation closed at the Jan 19 Audit Committee |
|----|--|--|-----------------|--|-------------|-------------|--|---|



Audit Committee

1st May 2019

| | |
|--------------------------------|--|
| Title | Internal Audit Exception Recommendations Report and Q4 Progress Report 1st January to 31st March 2019 |
| Report of | Head of Internal Audit |
| Wards | Not applicable |
| Status | Public |
| Urgent | No |
| Key | No |
| Enclosures | Appendix 1 - Internal Audit Q4 progress report (1 st January to 31 st March 2019) |
| Officer Contact Details | Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721 |

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.

During quarter 4 the service has issued 22 reports. 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 | Schools Payroll | No Assurance |

The audit, which was finalised in February 2019, raised five high priority actions. We have

followed these up during Q4. The status at 31 March 2019 is:

| | |
|---|---|
| Implemented | 3 |
| In Progress – a revised deadline of June 2019 has been agreed | 1 |
| In Progress – Internal Audit work ongoing, verbal update to be given to Audit Committee | 1 |

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>

Follow-Up of Grant Thornton Review of Financial Management Relating to CPO Fraud ('the GT review')

During the quarter the priority for the Internal Audit team has been its work to confirm the implementation of the remaining actions arising from the GT review. The progress on this work is reported within the Report of the Director of Finance, agenda item 7.

Follow-Ups

During the quarter we have followed up a total of 40 high priority actions due by the end of March 2019. In response to the poor Q3 performance the Chief Executive has been holding fortnightly sessions to keep a close eye on progress. The speed of response has now significantly improved and in Q4 we have confirmed that 82% of actions have been implemented (Q3 49%). As this is still below target during 2019/20 we will have an enhanced focus on confirming that audit actions have been implemented. The 2019/20 Internal Audit & CAFT Plan (Agenda Item 10) reflects this in that 150 audit days have been allocated to this activity (2018/19: 100 days).

In Q4 we have confirmed the following:

| | | |
|-----------------|----|-----|
| Implemented | 33 | 82% |
| In Progress | 7 | 18% |
| Not Implemented | 0 | 0% |
| | 40 | |

As noted above, this remains below the target of 90% being implemented but is an improvement on Q3.

At the end of Q3, 20 high priority actions were partially or not implemented. Of those actions, the status is now:

| | | |
|---|----|-----|
| Implemented | 7 | 35% |
| In Progress | 0 | 0% |
| Not yet due (deadline was extended as stated within the Q3 report – to be followed up at end of Q1 2019/20) | 13 | 65% |
| | 20 | |

Recommendations

1. That the Committee note the work completed to date on Internal Audit Q4 progress report - 1st January to 31st March 2019.

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.

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.

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 Social Value

- 5.3.1 None in the context of this decision

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 paragraph 2 states that the Committee can consider summaries of specific internal audit reports as requested.

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 None in the context of this decision

5.8 Consultation and Engagement

5.8.1 Not applicable

5.9 Insight

5.9.1 None in the context of this decision

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>

6.5 Audit Committee 19 April 2018 (Decision Item 9) – the Audit committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan 2018-19

<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 Q4 Progress Report 1 January – 31 March 2019



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 22 reviews in the quarter and delivered 94% of our 2018/19 internal audit programme for the year, which is slightly below our target of 95% for Q4.

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

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

- **Schools Payroll – No Assurance**

The audit raised five high priority actions, which we have also followed up during Q4. The current status is:

| | |
|---|---|
| Implemented | 3 |
| In Progress – a revised deadline of June 2019 has been agreed | 1 |
| In Progress – Internal Audit work ongoing, verbal update to be given to Audit Committee | 1 |

See section 2 for further detail on the audit findings and the actions being taken.

1.3 Findings of our Follow Up Work

1.3.1 We have undertaken follow up work on all high priority actions with an implementation date of 31st March 2019 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 40 high priority actions have been followed up this quarter:

33 actions have been confirmed as implemented (82%); and

7 have been partially implemented (18%).

Overall, this performance is below the target of 90% being implemented however it is a significant improvement on the performance in Q3, when only 49% of actions were confirmed as implemented.

Until we can be sure the improvement in the implementation of audit actions is sustainable we will maintain the risk rating as 16 against the following risk within the Assurance Group risk register:

AG020 - If audit actions are not implemented this could lead to a deterioration in the council's control environment and result in the Head of Internal Audit providing a Limited Assurance Annual Opinion.

Progress is summarised in Section 4.

1.4 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 Schools Payroll – No Assurance

February 2019

Since the audit was completed and agreed in February 2019 we have undertaken follow up work to confirm the progress made to date. Of the 5 high priority findings, 3 have been confirmed as implemented as at the end of March 2019. Due to the No Assurance rating a further full risk-based audit of Schools Payroll is planned for Q2 of 2019/20 to provide assurance that these improvements have been embedded.

Number of findings by risk rating

| | |
|----------|---|
| Critical | 0 |
| High | 5 |
| Medium | 1 |
| Low | 0 |
| Advisory | 0 |

Background

Schools are responsible for and manage their own payroll data such as the authorisation and processing of pay changes and overtime.

For Council maintained schools which have bought into CSG's payroll service, central payroll administration processes, for example the input of payroll standing data, closing, reconciliation, pay release processes and the generation of payslips, are undertaken by the CSG Payroll team in Carlisle using the application I-Trent which was implemented effective 1 April 2018. I-Trent, which is accessed via an online web based portal, replaced the previous application, ResourceLink.

The self-service component/module of I-Trent was implemented in June 2018 with schools having the option to provide the July payroll data through the portal or manually as per previous months during the changeover.

Summary of Findings

While certain controls were evident we were unable to provide assurance on the overall control environment and the accuracy of payroll elements for Schools Payroll. This is in part due to unresolved outstanding queries and supporting evidence not having been provided several months after first being raised / requested.

The audit identified 5 high risk and 1 medium risk findings.

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

- **Integra/I-Trent upload (High):** CSG Schools Finance confirmed ongoing data quality issues relating to upload of schools' payroll data to Integra. Initially, the schools' payroll data was not provided monthly for use/reconciliation by Schools' Finance teams. There was a delay initially in the upload of the first 5 months of schools' payroll data - from April to August 2018 - which was only uploaded, in one tranche, in October 2018. The payroll data for period 7, October 2018 was delayed as it was only uploaded with the November 2018, period 8, schools' payroll data. December 2018 and January 2018 payroll data was provided on time. Our view is that while the timely provision of payroll data for upload to Integra has now been resolved at the date of the final report, related data quality issues continue to compromise the ability of Schools Finance teams to

review and reconcile pay information promptly and resolve errors effectively. We had not been provided with sufficient evidence of data quality resolution at the date of the final report.

- **I-Trent role access and permissions (High):** There was no evidence of exception reporting to mitigate the risk of fraud which is exacerbated by wide processing access allocated to officers in Carlisle.
- **Remuneration processing (High):** We were unable to provide assurance over the accuracy of certain pay elements and related controls owing to outstanding requests for information. Further information was provided in the week commencing 14/01/2019 however it did not cover all the samples tested across unusual pay, leavers and pay change testing.
- **Payroll exception reporting (High):** To date we have not been provided with evidence of all the exception reporting that we were told is undertaken. Management indicated that at the beginning of the tax year there were issues with exception reporting but that this had now been resolved.
- **BACS payment and reconciliation and HMRC payment (High):** Management indicated that BACS and Payroll reports, for comparison, were available to the teams in Carlisle and Bootle (from where BACS processing occurs). However, we were not provided with evidence of how the Barnet Schools' Payroll reconciled to the BACS file released. Similarly, while evidence of the payment to HMRC was provided, we were unable to assess how this covered all the PAYE due by Barnet Schools.

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

- **Statutory responsibilities - P45 certificates (Medium):** P45 certificates had not been issued in 3/25 of the leaver cases in our sample.

Appropriate actions were agreed with due dates by the end of March 2019. We have confirmed the status of these actions within the Follow-Ups part of this report, see Section 4. In summary:

Agreed Action, Due Date and status at 31 March 2019

1. I-Trent / Integra payroll data upload and upload to the Schools Funding and Finance site on the Intranet

- a. Any decision to change the policy relating to when the Schools' payroll data will be provided for upload will be taken following the appropriate consideration by the relevant officers.
- b. Such decision will be communicated to all relevant schools.
- c. Errors in the upload of the payroll data to Integra will be investigated and resolved swiftly, including liaison with CSG Schools Finance.

Target date: 15 March 2019 – IMPLEMENTED

2. I-Trent Access and permissions

- a. Access should be removed to ensure that employees only have the specific access directly relevant to their role for Barnet processing.
- b. Periodic exception reporting should be undertaken to identify, for investigation, processing activity affecting the Barnet schools payroll done by officers not normally responsible for the Barnet Schools payroll in Carlisle and Bootle and particularly to confirm that the same user has not completed a process end to end for setting up an employee.
- c. Audit trails of such exception reporting and investigation, where applicable, will be retained for referral for 10 years.

Target date: 15 March 2019 – IN PROGRESS, revised deadline of June 2019

We will follow-up again at the end of Q1 to confirm implementation.

3. Remuneration processing (Salaries, pay changes, overtime, expenses, sick pay, holiday pay, mileage and maternity pay, leaver processing)

The relevant evidence and audit trails supporting pay calculations and related independent quality checks will be retained.

Target date: 15 March 2019 – IMPLEMENTED

4. Remuneration processing (Payroll task checklist and exception reporting)

All payroll exception reporting will be completed. The relevant evidence and audit trails supporting the checklist and exception reporting will be retained.

Target date: 15 March 2019 - IMPLEMENTED

5. BACS and HMRC payment and reconciliation

- a. The reconciliation of the BACS summary and related Payroll for each month's payment will be retained for referral and provided for May and June 2018.
- b. The reconciliation of the amount of PAYE/NI relevant to the Barnet Schools Payroll will be retained for referral and will be provided for May and June 2018 payrolls.

Target date: 15 March 2019 – IN PROGRESS

Internal Audit work ongoing, verbal update to be given to Audit Committee

3.0 Progress against plan

The table below represents a summary of the work that we have completed during the quarter or that is currently underway.

* During Q4 we have continued to test compliance with the processes introduced as a result of the Grant Thornton Review of the Financial Management Relating to CPO Fraud. A summary of the status against the 32 GT actions is included within the Audit Committee papers in the Report of the Director of Finance, agenda item 7. Our work on this has been incorporated into the eight audits marked below with an asterisk. During the quarter we have prioritised confirming the status against the GT actions as opposed to the other scope areas of these reviews.

| Stage | Name of review | Report classification | Total findings | Ratings | | | | |
|------------------|--|--------------------------|----------------|----------|------|--------|-----|----------|
| | | | | Critical | High | Medium | Low | Advisory |
| Quarter 4 | | | | | | | | |
| Complete | Schools Payroll | No Assurance | 6 | - | 5 | 1 | - | - |
| Complete | Contract Management - Sport & Physical Activity (SPA) | Reasonable | 4 | - | - | 4 | - | - |
| Complete | Troubled Families - Payment by Results - March Submission (1 of 2) | Claim verified | 3 | - | - | 3 | - | - |
| Complete | Accounts Receivable | Reasonable | 2 | - | - | 1 | 1 | - |
| Complete | Performance Management Framework compliance | Management letter issued | 1 | - | - | 1 | - | - |
| Complete | Troubled Families - Payment by Results - March Submission (2 of 2) | Claim verified | 1 | - | - | - | 1 | - |
| Complete | Payments Data Analytics and Matching Exercises* | Management letter issued | | | | | | |
| Complete | Pensions Admin Follow-Up Phase 2 | Partially Implemented | | | | | | |
| Complete | Risk Management Framework | Management letter issued | | | | | | |

| | | | | | | | | |
|--------------|--|--------------------------|---|---|---|---|---|---|
| Draft Report | Re Operational Review follow-up* | Partially Implemented | 1 | - | 1 | - | - | - |
| Draft Report | Disabled Facilities Grant | Reasonable | 6 | - | - | 5 | 1 | - |
| Draft Report | Housing Benefit | Reasonable | 4 | - | - | 3 | 1 | - |
| Draft Report | Council Tax | Reasonable | 4 | - | - | 2 | 2 | - |
| Draft Report | National Non-Domestic Rates (NNDR) | Reasonable | 3 | - | - | 1 | 2 | - |
| Draft Report | Portfolio and Project Management (IT Management) - Mosaic Note: Incorporates the placeholder review of Mosaic included within the Audit Plan for Q4 | Management letter issued | | | | | | |
| Draft Report | General Data Protection Requirements (GDPR) | Management letter issued | | | | | | |
| Complete | Woodridge School | Reasonable | 7 | - | - | 2 | 5 | - |
| Complete | Deansbrook Infant School | Reasonable | 5 | - | - | 3 | 2 | - |
| Complete | Christ Church CE School | Reasonable | 3 | - | - | 2 | 1 | - |
| Complete | Finchley Catholic High School | Reasonable | 7 | - | - | 4 | 3 | - |
| Draft Report | Hasmoneon Primary School | TBC | | | | | | |
| Draft Report | St. Vincent's Catholic School | TBC | | | | | | |
| Fieldwork | Follow-Up of CFO Financial Controls review* | TBC | | | | | | |
| Fieldwork | Banking & Payment Arrangements – Accounts Payable | TBC | | | | | | |
| Fieldwork | Highways Programme | TBC | | | | | | |
| Fieldwork | Pension Fund Finance and Investment | TBC | | | | | | |
| Fieldwork | Passenger Transport Service (PTS) Health & Safety | TBC | | | | | | |
| Planning | Public Health - compliance with grant conditions | TBC | | | | | | |

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|------------------|---|--|---|---|---|---|---|---|
| Cancelled | Elections Quality Assurance – Advisory | | | | | | | |
| Deferred | Domestic Violence | | | | | | | |
| Deferred | Revenue Budget Setting and Monitoring | | | | | | | |
| Deferred | Treasury Management Note: scope areas that were outside of the Banking & Payment Arrangements review | | | | | | | |
| Deferred | Banking & Payment Arrangements – Cash & Bank | | | | | | | |
| Quarter 3 | | | | | | | | |
| Complete | Equalities Data Quality and Analysis | Limited | 4 | - | 2 | - | 2 | - |
| Complete | Integra Access and Program Change Management (“APCM”)* | Reasonable | 6 | - | 1 | 2 | 1 | 2 |
| Complete | Banking & Payment Arrangements – Treasury Management | Reasonable | 9 | - | 1 | 1 | 3 | 4 |
| Complete | S106 & CILS Follow-Up* | Reasonable | 3 | - | 1 | 1 | 1 | - |
| Complete | Private Treaty Agreements* | Reasonable | 4 | - | - | 4 | - | - |
| Complete | Highways DLO | Reasonable | 5 | - | - | 4 | 1 | - |
| Complete | Public Sector Equality Duty (PSED) Compliance | Reasonable | 4 | - | - | 3 | 1 | - |
| Complete | Troubled Families - Payment by Results – October submission | Claim verified | | | | | | |
| Complete | St. John’s School N20 | Reasonable | 5 | - | - | 2 | 3 | - |
| Complete | Menorah Primary School | Reasonable | 6 | - | - | 4 | 2 | - |
| Complete | Fairway | Reasonable (previous rating: Limited) | 5 | - | - | 4 | 1 | - |
| Complete | Northside | Reasonable | 8 | - | - | 5 | 3 | - |

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| Complete | Beit Shvidler Primary School | Reasonable | 5 | - | - | 4 | 1 | - |
| Complete | All Saints' School N20 | Substantial | 4 | - | - | 1 | 3 | - |
| Complete | Garden Suburb Infant School | Substantial | 1 | - | - | - | 1 | - |
| Complete | Our Lady of Lourdes School | Substantial | 3 | - | - | - | 3 | - |
| Complete | Local Authority Bus Subsidy Grant | Claim verified | | | | | | |
| Quarter 2 | | | | | | | | |
| Complete | Temporary and Interim Workforce | No | 15 | - | 5 | 5 | 4 | 1 |
| Complete | Tudor School | Limited | 7 | - | 1 | 3 | 3 | - |
| Complete | All Saints' Primary School NW2 | Limited | 7 | - | 2 | 3 | 2 | - |
| Complete | St. Andrew's School | Reasonable | 6 | - | 1 | 2 | 3 | - |
| Complete | Teachers Pensions – Phase 2 | Reasonable | 4 | - | 1 | 2 | 1 | - |
| Complete | General Ledger* | Reasonable | 6 | - | - | 5 | 1 | - |
| Complete | Disabled Persons Freedom Passes | Reasonable | 5 | - | - | 3 | 1 | 1 |
| Complete | Business Continuity | Reasonable | 3 | - | - | 2 | 1 | - |
| Complete | Moss Hall Infant School | Reasonable | 7 | - | - | 5 | 2 | - |
| Complete | Brookland Junior School | Reasonable | 6 | - | - | 2 | 4 | - |
| Complete | IT Governance – Strategic Decision Making | Reasonable | 6 | - | - | 5 | 1 | - |
| Complete | Review of use of the Project Management Toolkit, including consideration of Health and Safety Risks, for six projects | Substantial | 3 | - | - | 1 | 2 | - |
| Complete | Customer Transformation Programme - Content Management System workstream | Substantial | 4 | - | - | - | 4 | - |
| Complete | Courtland School | Substantial | 3 | - | - | 1 | 2 | - |

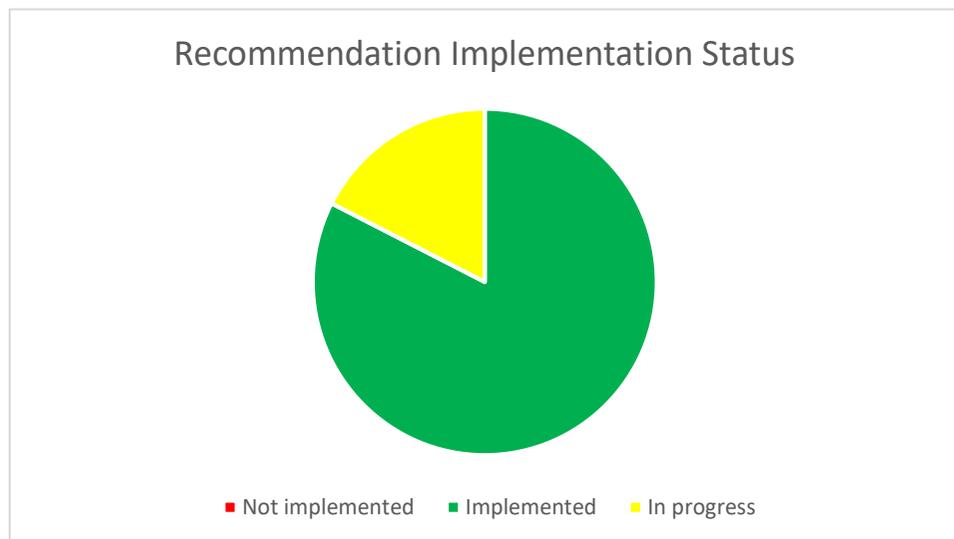
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| Complete | Local Transport Capital Block Funding (Pothole Action Fund) | Claim verified | - | - | - | - | - | - |
| Complete | Troubled Families - Payment by Results – July submission | Claim verified | - | - | - | - | - | - |
| Complete | Troubled Families - Payment by Results – September submission | Claim verified | 1 | - | - | 1 | - | - |
| Combined | Accounts Payable Merged into Banking & Payments Arrangements | | | | | | | |
| Combined | Cash & Bank Merged into Banking & Payment Arrangements | | | | | | | |
| Combined | Capital Programme Merged into Follow-Up of CFO Financial Controls review | | | | | | | |
| Combined | Schemes of Financial Delegation Merged into Follow-Up of CFO Financial Controls review | | | | | | | |
| 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 | - |

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| 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 | | | | | | | |
| 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 | | | | | | | |

4.0 Follow Up

4.1 Summary

4.1.1 The wheel below demonstrates how many high priority actions due this period have been confirmed as being implemented, in progress or not implemented.



4.2 Outstanding actions

4.2.1 During this period we followed up 7 high priority actions due by 31st March which were found to be outstanding. These high priority actions are summarised below.

* At the request of the Audit Committee a column has been added to show how many times the action has slipped i.e. not been implemented within the agreed timeframe. The colour key is as follows:

White = 1 (i.e. first time non-implementation being reported)

Amber = 2 (i.e. second time non-implementation being reported)

Red = 3+ (i.e. at least third time non-implementation being reported)

| Name of report | Agreed Action | Status (Not Implemented / In Progress) | Owner | Due Date | Slippage* |
|---|---|--|--|--|-----------|
| <p>1. Pensions Admin</p> <p>January 2018</p> | <p>Scheme data quality</p> <p>We will ensure analytical reviews are undertaken over contributions received and reported to ensure movements reported are reasonable and reconciliations will be performed between amounts reported and the general ledger. We will consider if any further assurance is required over the accuracy of contributions received, considering whether sufficient assurance is provided by reviews undertaken by internal audit and external audit both at the Council and employers.</p> | <p>In Progress</p> <p>Reasonable progress has been made since the audit.</p> <p>In November 2018 robust analytical reviews were not possible based on the level of reporting received from employers at that time. CSG and the Council are working to implement monthly monitoring of contributions by member which will permit meaningful analytical review of contributions as well as identify starters and leavers promptly. This process has been designed but will not be fully operational until the new financial year.</p> | <p>Head of Public Sector Pensions, Capita</p> <p>Head of Business Assurance, CSG Employee Benefits</p> | <p>Target date: 30th June 2018</p> <p>Revised target date: 31 January 2019</p> <p>2nd revised target date: 31 May 2019</p> | <p>2</p> |
| <p>2. Equalities data - quality and analysis</p> <p>November 2018</p> | <p>Data quality and analysis – staff performance reviews</p> <p>CSG HR will ensure that analysis of future performance review outcomes is meaningful. A method statement covering the equalities process for 2018/19 performance reviews will be drafted.</p> | <p>In Progress</p> <p>Substantial progress has been made since the audit.</p> <p>A paper outlining the appraisal process went to Council Management Team on 5 March 2019. Stage five of the process noted that HR and Finance Business Partners will prepare a report for CMT to consider which will include an Equalities Impact Assessment at a whole Council level and will feed into future equalities planning.</p> | <p>Strategic HR Lead, LBB</p> | <p>Target date: 28 February 2019 i.e. in advance of the 2018/19 performance reviews</p> <p>Revised deadline: 30 April 2019</p> | <p>1</p> |

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| | | <p>A further document (<i>Performance Management Scheme 2019</i>) outlines the process for 2018/19 performance reviews.</p> <p>We noted that the document stated regarding equalities:</p> <ul style="list-style-type: none">- Monitoring will be undertaken at the end of moderation across a range of protected characteristics and compared with the equalities profile at a whole organisational level.- No data will be used where the numbers are too small to draw any statistical meaning or where doing so would enable individual staff members to be identified.- Racial characteristics will be aggregated into one group. Human Resources will undertake analysis of the data and produce a series of recommendations for possible consideration by CMT which may then be fed down to future actions outside the moderation process forming part of the Council's future Equality Plan. <p>The outstanding item is a method statement detailing the analysis which we can expect to be presented to CMT in June. We are expecting to receive a copy of this method statement prior to Audit Committee. A verbal update will be given.</p> | | | |
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| <p>3. Equalities data - quality and analysis</p> <p>November 2018</p> | <p>Data quality and analysis – mandatory gender pay gap reporting</p> <p>LBB HR will seek to amend the data on the public record to reflect the correct median gender pay gap as part of the 2019 reporting cycle.</p> | <p>In Progress</p> <p>Limited progress has been made.</p> <p>Management confirmed that they have been focussing on improving the quality of the 2018/19 data and ensuring reporting of gender pay gap data in-line with the statutory deadline of 31st March. This includes procurement of GapSquare software and ensuring quality assurance processes through compliance with the modified GapSquare checklist and compiling and documenting data reporting standards. This has been completed alongside other priorities for the Strategic HR team such as the Council Management Team restructure and performance reviews.</p> <p>Management confirmed that as such they have not been able to review and amend the 2017/18 data to date; however, this will be completed using the revised processes as per 2018/19 and will be finalised by 15 June 2019.</p> | <p>Strategic HR Lead, LBB</p> | <p>Target date: 31 March 2019</p> <p>Revised target date: 15 June 2019</p> | <p>1</p> |
| <p>4. Integra Access and Program Change Management (“APCM”)</p> <p>December 2018</p> | <p>Logical access controls – joiners, movers and leavers</p> <p>The overall joiners and leavers process will be reviewed, to ensure that all necessary actions are taken upon the joining, moving or leaving the service of employees or contractors. This will be</p> | <p>In Progress</p> <p>Limited progress has been made.</p> <p>An automated joined up process for starters, movers and leavers implementing the necessary actions in Council systems, including those relating to granting, changing or disabling access in Integra has not yet been developed.</p> | <p>Strategic HR Lead, LBB</p> | <p>Target date: 31 January 2019</p> <p>Revised target date: 31 August 2019</p> | <p>1</p> |

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| | aligned with the different departments prior to roll out. | <p>. Following the recent move in-house of Strategic HR, the responsibility for leading on the completion of this action now sits with the Council. This is a critical system change that cannot be easily fixed and is now recognised as a longer-term project that will involve HR, finance and IT. A 'discovery' document around the Starters, Movers and Leavers process has been created which captures the issues to be addressed as part of this project but a timetable or project plan is not yet in place to address the issues that have been identified.</p> <p>Temporary workarounds have been put in place and we have confirmed that these compensating, retrospective controls were operating effectively in Q4 (see section 4.3 Completed Actions below).</p> <p>Although the risk is mitigated by the compensating controls that are now in place these are detective rather than preventative controls.</p> | | | |
| <p>5. Banking and Payment Arrangements - Treasury</p> <p>November 2018</p> | <p>Bankline – access and authorisation</p> <p>Management will review the customer user profiles to identify whether permissions across LB Barnet accounts can be simplified to ensure that segregation of duties is as clear as possible.</p> | <p>In progress</p> <p>The review of roles, allocated users and related underlying privileges has been completed for the Bankline LBB environment and is in progress for Bankline LBB Schools environment. The exercise for schools will be time consuming as it will involve communicating the current Bankline role access and privileges allocated to officer(s) at each school to the relevant authorising officer at the school for their</p> | Head of Treasury | <p>Target date: 31 March 2019</p> <p>Revised target date: 31 May 2019</p> | 1 |

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| | | <p>formal confirmation of the Bankline access for their staff.</p> <p>Overall payments/transfers above £1k follow a separate dual (2 approvers) authorisation/approval in Bankline.</p> <p>In addition, we reviewed the process for allocating roles to users in the LBB environment. It was clear that user roles ensured the segregation of duties, so users did not have roles which allowed the initiation/creation (add) and authorisation of payments in line with the overarching payment approval rules. Where users had more than one role (2 Treasury users), a review of the privileges available to each user across their roles showed that the initiating and authorisation of payments was not allowed in line with the overarching payment rules. One role which did allow the initiation and authorisation of a payment was <u>not</u> in use. The authorisation of internal transfers was possible however the 2nd approval of transfers was still required in these instances.</p> | | | |
| <p>6. Schools Payroll February 2019</p> | <p>I-Trent Access and permissions</p> <p>a. Access should be removed to ensure that employees only have the specific access directly relevant to their role for Barnet processing.</p> <p>b. Periodic exception reporting should be undertaken to identify, for investigation, processing</p> | <p>In Progress</p> <p>Management confirmed that end to end access will cease by the end of June 2019, with role definitions of superusers changed so that they can provide emergency access from June 2019. A new Payroll Subject Matter Expert from a separate office will receive a separate audit report from June 2019.</p> <p>We will follow-up again at the end of Q1 to confirm implementation.</p> | <p>Schools HR and Payroll Business Manager, Capita</p> | <p>Target date: 15 March 2019</p> <p>Revised date: June 2019</p> | <p>1</p> |

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| | <p>activity affecting the Barnet schools payroll done by officers not normally responsible for the Barnet Schools payroll in Carlisle and Bootle and particularly to confirm that the same user has not completed a process end to end for setting up an employee.</p> <p>c. Audit trails of such exception reporting and investigation, where applicable, will be retained for referral for 10 years.</p> | | | | |
| <p>7. Schools Payroll – February 2019</p> | <p>BACS and HMRC and payment reconciliation</p> <p>a. The reconciliation of the BACS summary and related Payroll for each month's payment will be retained for referral and provided for May and June 2018.</p> <p>b. The reconciliation of the amount of PAYE/NI relevant to the Barnet Schools Payroll will be retained for referral and will be provided for May and June 2018 payrolls.</p> | <p>In progress</p> <p>a) CSG have proposed to implement a reconciliation process effective 1 April Whereby CSG Schools Payroll will provide Council Finance with various schools' payroll month end data, including the <u>BACS file report</u> with the BACS file total and the <u>Payroll Summary Analysis</u> showing the totals of employee pay and amounts due to HMRC for that month. This will allow the Council to reconcile BACS file and HMRC payments to the Payroll Summary Analysis and approve payment before release of payment by Bootle.</p> <p>The proposal was shared with the Director of Finance on 4th April and feedback has been provided If agreed this action will move to Implemented; a</p> | <p>Schools HR and Payroll Business Manager, Capita</p> | <p>Target date: 15 March 2019</p> <p>Revised target date – TBC</p> | <p>1</p> |

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| | | <p>verbal update will be given to the Audit Committee</p> <p>b) We attempted to match the May and June 2018 payment to HMRC to the May and June 2018 Summary Analysis provided to us for review on 20th March 2019. We were unable to reconcile the figures to the HMRC totals on the May and June Summary Analysis and requested clarification from Schools Payroll on 22nd March. A response was provided on 10th April which is being reviewed and a verbal update will be given to the Audit Committee.</p> | | |
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4.3 Completed actions

4.3.1 During this period we followed up 33 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. Schools Payroll</p> <p>February 2019</p> | <p>Remuneration processing (Salaries, pay changes, overtime, expenses, sick pay, holiday pay, mileage and maternity pay, leaver processing)</p> <p>The relevant evidence and audit trails supporting pay calculations and related independent quality checks will be retained.</p> <p>Target date: 15 March 2019</p> |
| <p>2. Schools Payroll</p> <p>February 2019</p> | <p>Remuneration processing (Payroll task checklist and exception reporting)</p> <p>All payroll exception reporting will be completed. The relevant evidence and audit trails supporting the checklist and exception reporting will be retained.</p> <p>Target date: 15 March 2019</p> |

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| <p>3. Schools Payroll</p> <p>February 2019</p> | <p>I-Trent / Integra payroll data upload and upload to the Schools Funding and Finance site on the Intranet</p> <p>a. Any decision to change the policy relating to when the Schools' payroll data will be provided for upload will be taken following the appropriate consideration by the relevant officers.</p> <p>b. Such decision will be communicated to all relevant schools.</p> <p>c. Errors in the upload of the payroll data to Integra will be investigated and resolved swiftly, including liaison with CSG Schools Finance.</p> <p>Target date: 15 March 2019</p> |
| <p>4. Community Infrastructure Levy (CIL) and Section 106 (S106) Agreement Follow Ups</p> <p>January 2019</p> | <p>Accuracy of CIL calculations, reliefs and discounts</p> <p>Management will review the controls presented to the Strategic Planning Operations Board and ensure that there is clarity regarding the checks that will take place including:</p> <ul style="list-style-type: none"> - The number of checks that will take place as part of monthly sampling check; - The nature of the checks – for example checking calculations based on information submitted by the developer and key documentation which verified had been received and is held on file; - Checks that will be performed where the Infrastructure Planning Manager has processed liabilities or reliefs within Exacom; - Checks that surcharges have been correctly applied as per the legislation. - The evidence that will be retained to confirm checks which have taken place; and - The information which will be presented to the CIL and S106 Officers Group. <p>Target Date: 31st March</p> |
| <p>5. Integra Access and Program Change Management (“APCM”)</p> <p>December 2018</p> | <p>Logical access controls – joiners, movers and leavers</p> <p>Within CSG Finance, the following actions will be continued and improved:</p> <ul style="list-style-type: none"> • Upon receipt of leavers or amendment forms, the necessary changes will be made in Integra within 2 working days. Audit trail evidence will be kept. This is now done via E-Forms. |

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| | <ul style="list-style-type: none"> • On a monthly basis, CSG will continue to verify the leavers lists from HR Barnet and Capita and this will be used to independently check that users have been disabled. Where required, follow up to line management will be undertaken. Audit evidence of this check will be kept. • In addition, the current control where users are locked out automatically after 45 days inactivity will remain in place. <p>Target date: Starting in December 2018</p> |
| <p>6. Integra Access and Program Change Management (“APCM”)</p> <p>December 2018</p> | <p>Logical access controls – joiners, movers and leavers</p> <p>The "Instruction" tab of the "Integra User Setup Form" template has been updated to reflect the additional requirement where the new user has a financial authority limit in Integra in line with the "Managing Access and Authorisation Rights for IT systems v1.02 " as follows:</p> <p>“If a new user is allocated a financial authority limit which allows them to approve expenditure within the system, the form is required to be approved by an assistant director or above with the additional requirement that the financial authority limit being awarded to a new user must be approved by someone with a higher authority limit.”</p> <p>Target date: Starting in December 2018</p> |
| <p>7. Integra Access and Program Change Management (“APCM”)</p> <p>December 2018</p> | <p>Logical access controls – joiners, movers and leavers</p> <p>All user accounts highlighted during the audit as a potential risk have been deactivated.</p> <p>Target date: Starting in December 2018</p> |
| <p>8. Equalities data – quality and analysis</p> <p>November 2018</p> | <p>Data quality and analysis – staff performance reviews</p> <p>The interim Strategic HR Director will consider whether provision can be made so that employees can voluntarily update via the LBB Employee Self Service Mechanism to ensure that the personal data held by the Council is updated.</p> <p>Target date: 31 March 2019</p> <p>This action has been superseded</p> <p>This is in the context of a number of other actions that have been progressed in the lead up to the insourcing of Strategic HR to the Council on 1st April 2019.</p> |

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| | <p>This action is one that needs to be taken forward with those parts of HR that have remained with CSG, of which management, maintenance and upgrades to the Core HR system is one aspect. It is part of a broader HR Improvement piece which will be reviewed by Internal Audit in 2019/20 as part of the planned 'HR Processes post-insourcing' audit.</p> |
| <p>9. Equalities data – quality and analysis</p> <p>November 2018</p> | <p>Data quality and analysis – staff performance reviews</p> <p>The interim Strategic HR Director will work with the Council's communications team to encourage staff to actively participate in improving their engagement with equalities data.</p> <p>Target date: 31 March 2019</p> <p>This action has been superseded</p> <p>This is in the context of a number of other actions that have been progressed in the lead up to the insourcing of Strategic HR to the Council on 1st April 2019.</p> <p>This action is one that needs to be taken forward with those parts of HR that have remained with CSG, of which management, maintenance and upgrades to the Core HR system is one aspect. It is part of a broader HR Improvement piece which will be reviewed by Internal Audit in 2019/20 as part of the planned 'HR Processes post-insourcing' audit.</p> |
| <p>10. Equalities data – quality and analysis</p> <p>November 2018</p> | <p>Data quality and analysis – staff performance reviews</p> <p>The revised high priority actions from the 2017/18 Performance Reviews audit will be implemented:</p> <ul style="list-style-type: none"> a) 2017/18 performance review source data will be used as dummy data to devise and test an approach to the equalities assessment for the 2018/19 performance review cycle. This will support management to understand the root cause of any issues identified and to put measures in place to ensure the 2018/19 performance review process is fairer and more equitable across all protected characteristic groups and delivery units. <p>Note: This action has been subsumed into the following Gender Pay Gap action: LBB HR will seek to amend the data on the public record to reflect the correct median gender pay gap as part of the 2019 reporting cycle. Management have confirmed that review of the 2017/18 performance data is still to be completed and this will take place as part of the work to amend the data on public record around the 2018 gender pay gap.</p> <ul style="list-style-type: none"> b) HR training for managers will include training on cognitive bias to support the organisation to meet the requirements of the PSED and ensure that the performance review process is carried out by staff with an awareness of the potential for cognitive bias in the ratings process. |

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| <p>11. Teachers Pensions</p> <p>November 2018</p> | <p>Statutory Returns</p> <p>Regarding submission of the 2018-19 EOYC, the CFO will 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, for example, a formal project plan will be agreed for the 2018 / 2019 return.</p> <p>Target date: 15 March 2019</p> |
| <p>12. Teachers Pensions</p> <p>November 2018</p> | <p>Statutory Returns</p> <p>CSG Payroll will develop a complete list of schools who use their own external payroll providers and will ensure that it is kept up to date.</p> <p>Target date: 1 November 2018</p> <p>Revised date: 31 March 2019</p> |
| <p>13. Teachers Pensions</p> <p>November 2018</p> | <p>Statutory Returns</p> <p>Reconciliation Key responsible officers in Council and CSG Payroll will consider and agree a protocol to ensure that non-CSG Schools which use their own independent payroll providers submit their monthly contribution schedules to CSG in a timely manner.</p> <p>Target date: 1 November 2018</p> <p>Revised date: 31 March 2019</p> |
| <p>14. Banking & Payment Arrangements – Treasury</p> <p>November 2018</p> | <p>Bankline – access and authorisation</p> <p>At the point when the duplication of user accounts was identified by Internal Audit, the dormant account was deleted from Bankline, removing the associated risk. No further action is required.</p> <p>Target date:</p> |

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| | Complete |
| 15. Banking & Payment Arrangements – Treasury November 2018 | Bankline – access and authorisation CSG will liaise with the bank to verify that there were no instances between 12/08/2016 and 12/06/2017 where non-CHAPS transactions were raised and approved by the two user IDs which belonged to a single user. Target date: 31 March 2019 |
| 16. Banking & Payment Arrangements – Treasury November 2018 | Bankline – access and authorisation Management will carry out a quarterly Bankline user review across all domains. Any users who have not been active for over 90 days will be contacted to verify whether access is still required. Where this is not the case, or no response is received, users should be removed from the system. The review will also consider whether or not the profiles in place for users remain appropriate to their role. Target date: 31 March 2019 |
| 17. Banking & Payment Arrangements – Treasury November 2018 | Bankline – access and authorisation Management will consider whether the policy around access management should be more explicit about checks which need to be carried out and documented before unlocking dormant users (e.g. verifying with line managers that access remains appropriate, and/or verifying with payroll that the user remains employed). Target date: 31 March 2019 |
| 18. Banking & Payment Arrangements – Treasury November 2018 | Bankline – access and authorisation Management will consider whether requests should include details of the system permissions being requested (in line with the schools new user process) in order to ensure that permissions are appropriate to a user's role. |

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| | <p>Target date: 31 March 2019</p> |
| <p>19. Banking & Payment Arrangements – Treasury</p> <p>November 2018</p> | <p>Bankline – access and authorisation</p> <p>The inclusion of numbers of certain types of user within the policy means that the policy becomes outdated whenever a new user is added to Bankline or an existing user is removed. Management will consider whether to remove this detail to ensure that the policy remains accurate and relevant. If the detail is retained in the document, it will be updated to reflect Bankline roles and responsibilities as they currently stand.</p> <p>Target date: 31 March 2019</p> |
| <p>20. Banking & Payment Arrangements – Treasury</p> <p>November 2018</p> | <p>Bankline – access and authorisation</p> <p>Management will ensure that functions within Bankline which aren't in use (e.g. functions relating to bulk lists) aren't available to users, by reviewing role profiles and amending them to those functions which are directly necessary for their roles.</p> <p>Target date: 31 March 2019</p> |
| <p>21. Equalities data - quality and analysis</p> <p>November 2018</p> | <p>Data quality and analysis – staff performance reviews</p> <p>LBB HR will redact future published equalities data relating to groups of fewer than 15 people to ensure that individuals are not identifiable.</p> <p>Target date: From now on</p> |
| <p>22. Equalities data - quality and analysis</p> <p>November 2018</p> | <p>Data quality and analysis – staff performance reviews</p> <p>Where certain protected characteristics are omitted from published equalities data, an explanation will be provided by LBB to explain the omission.</p> <p>Target date:</p> |

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|--|---|
| <p>23. Equalities data - quality and analysis</p> <p>November 2018</p> | <p>From now on</p> <p>Data quality and analysis – mandatory gender pay gap reporting</p> <p>CSG HR will prepare a procedural note to be followed by the service for the preparation of the gender pay gap reporting in March 2019. This note will reflect national guidance on the calculation.</p> <p>Target date: Complete (as asserted by management in Nov 2018)</p> |
| <p>24. Equalities data - quality and analysis</p> <p>November 2018</p> | <p>Data quality and analysis – mandatory gender pay gap reporting</p> <p>CSG HR will ensure that detailed records are retained to record the approach to calculation and quality checking of the gender pay gap in future years and retain evidence that the national guidance for the calculation has been correctly followed. Similar records will be retained to evidence the calculations performed during the Council's 2018/19 equal pay audit.</p> <p>Target date: 31st March 2019</p> |
| <p>25. All Saints' School (NW2)</p> <p>October 2018</p> | <p>Contracts</p> <p>For procurement exercises, quotes will be obtained and evaluated in line with 'Contract standing order for schools.' Records of quotes and evaluations will be retained for referral and scrutiny. Minutes of meetings will include consideration by governors of quotations for the renewal/procurement of any relevant contract, to ensure that there is clear and visible evidence of a fair and transparent selection process.</p> <p>Signed contracts for services procured will be held by schools for referral where necessary.</p> <p>Target date: Autumn term 2018</p> |
| <p>26. All Saints' School (NW2)</p> <p>October 2018</p> | <p>Assets</p> <p>The Inventory will be updated with reference to the Barnet Schools Financial Guide, section 4.8 (Control of Assets). Annual check will be completed and Governors will approve disposals.</p> <p>Target date: Spring term 2019</p> |
| <p>27. Onboarding</p> <p>June 2018</p> | <p>New Starter Induction</p> <p><u>Recruitment and Selection Training:</u></p> |

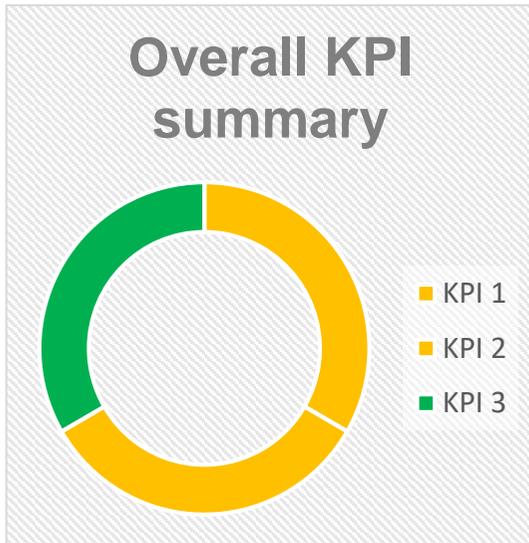
| | |
|--|---|
| | <p>The Learning and Development Officer will build a segment into the quarterly Managerial recruitment & selection training which specifies that managers are responsible for ensuring that employees attend the corporate induction and should monitor attendance.</p> <p>Target Date: 31/07/2018</p> <p>Revised date: 30 November 2018</p> <p>2nd Revised date: 31 March 2019</p> |
| <p>28. Temporary and Interim Workforce</p> <p>May 2018</p> | <p>Performance monitoring - assignment extension monitoring and assignment length</p> <p>CSG HR will work with management to implement a workflow process within the agency supplier system and ensure that it is not possible to circumvent this process through use of the supplier's helpdesk to raise assignment or extension requests without appropriate approvals. For example, by requiring, where there are emergency assignments raised, formal retrospective approval within the system within 24 hours.</p> <p>Target Date: 31 October 2018</p> <p>Revised date: 31 March 2019</p> |
| <p>29. S106 and CILS Expenditure</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>Target Date: 30 April 2018</p> <p>Revised: 31 October 2018</p> <p>2nd revised: 28 February 2019</p> |
| <p>30. Pensions Admin</p> | <p>Scheme data quality</p> |

| | |
|--|--|
| <p>January 2018</p> | <p>We will review the quality of conditional data by 28 February 2018 as per the agreed service improvement plan and will update this data, as agreed with the scheme manager, prior to the triennial review of the fund due as at 31 March 2019.</p> <p>Target Dates:</p> <p>28th February 2018 (analysis completed)</p> <p>31st March 2019 (data rectification complete)</p> |
| <p>31. Accounts Payable</p> <p>December 2017</p> | <p>Potential Duplicate Payments</p> <p>Working with relevant stakeholders, including Commissioning Group Finance, CAFT, CSG procurement and delivery units, a data cleanse of Integra vendor data will be performed to ensure that the data is of an appropriate quality to successfully support the automated controls (1) and also the NFI and/or other data matching exercises- including in house exercises.</p> <p>Target Date:</p> <p>31/7/18</p> <p>Revised date:</p> <p>30 November 2018</p> <p>2nd Revised date:</p> <p>31 January 2019</p> |
| <p>32. Regeneration – Benefits Realisation (Brent Cross)</p> <p>October 2017</p> | <p>Benefits identification and definition (Brent Cross)</p> <p>Management will provide project managers with training on how to fully define project benefits and the level of information they are expected to produce and maintain. This will include ensuring project managers understand:</p> <ul style="list-style-type: none"> • The difference between an output and a benefit and how to fully describe planned benefits / dis-benefits. • How to determine methods of measurement for planned benefits and the source data required. • How to assign owners to specific benefits to ensure they are realised • How to determine baseline measures by which progress of realisation can be measured • How to determine sufficiently detailed targets by which realisation can be measured. <p>The Council and Re will consider whether this recommendation is applicable to other projects across the Regeneration Programme.</p> <p>Target date:</p> |

| | |
|--|--|
| | <p>28 February 2018</p> <p>Revised:</p> <p>31 May 2018</p> <p>2nd Revised:</p> <p>30 September 2018</p> <p>3rd Revised:</p> <p>TBC dependent on Brent Cross developments over the coming months</p> |
| <p>33. Regeneration – Benefits Realisation (Brent Cross)</p> <p>October 2017</p> | <p>Benefits monitoring, measurement and realisation (Brent Cross)</p> <p>As part of the above management will provide project managers with training on how to plan for and fully monitor the realisation of planned benefits, including the level of information they are expected to produce and maintain.</p> <p>The Council and Re will consider whether this recommendation is applicable to other projects across the Regeneration Programme.</p> <p>Target date:</p> <p>28 February 2018</p> <p>Revised:</p> <p>31 May 2018</p> <p>2nd Revised:</p> <p>30 September 2018</p> <p>3rd Revised:</p> <p>TBC dependent on Brent Cross developments over the coming months</p> |

Appendices

Appendix A: Key performance indicators (KPIs)



Fully Achieved

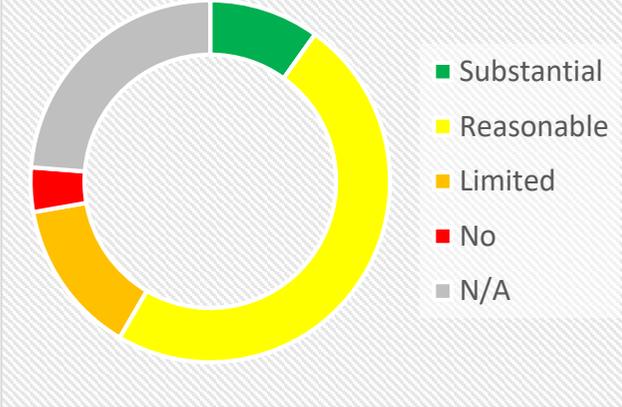
Partially Achieved

Not Achieved

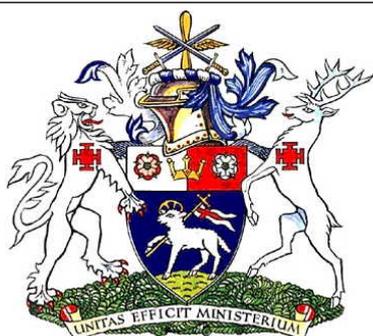


| KPI | Target | Results | Comment | | | | | | | | | | |
|--|--------|---------|---|-------------|----|----------|-----|-----------|-----|--------------|-----|----------|------|
| 1. % of Plan delivered | 95% | 94% | <p>Work in progress is incorporated as follows:</p> <table border="1"> <tr> <td>Not 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 94% of our plan.</p> <p>0-75% = Not Achieved 76-94% = Partially Achieved 95% = Fully Achieved</p> | Not Started | 0% | Planning | 20% | Fieldwork | 50% | Draft Report | 90% | Complete | 100% |
| Not Started | 0% | | | | | | | | | | | | |
| Planning | 20% | | | | | | | | | | | | |
| Fieldwork | 50% | | | | | | | | | | | | |
| Draft Report | 90% | | | | | | | | | | | | |
| Complete | 100% | | | | | | | | | | | | |
| 2. Verification that at least 90% of Critical and High Risks have been mitigated by management at the time of follow up | 90% | 82% | <p>0-49% = Not Achieved 50-89% = Partially Achieved 90% = Fully Achieved</p> | | | | | | | | | | |
| 3. Average customer satisfaction score for year to meet or 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>10%</p> <p>49%</p> <p>14%</p> <p>4%</p> <p>24%</p> | |
|--|--|--|--|



Audit Committee

1st May 2019

| | |
|--------------------------------|--|
| Title | Corporate Anti-Fraud Team (CAFT) Annual Report 2018/19 |
| Report of | Director of Assurance |
| Wards | All |
| Status | Public |
| Key | No |
| Urgent | No |
| Enclosures | Appendix 1: CAFT Annual Report: 1st April 2018 – 31st March 2019. |
| Officer Contact Details | Clair Green – Director of Assurance clair.green@barnet.gov.uk 0208 359 7791 |

Summary

This report covers the period 1st April 2018 – 31st March 2019 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 Annual Report covering the period 1st April 2018 – 31st March 2019

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee included in the work programme for 2018/19 that quarterly progress reports on the work of the Corporate Anti- Fraud Team are produced to this meeting.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Not applicable

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 None

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

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

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

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

5.3 Social Value

- 5.3.1 None in the context of this decision

5.4 Legal and Constitutional References

- 5.4.1 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.
- 5.4.2 The Council's Constitution, Article 7- The Audit Committee's terms of reference, details the functions of the Audit Committee including:-

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

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

5.5 Risk Management

5.5.1 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.

5.6 Equalities and Diversity

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

5.6.2 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.

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

5.7 Corporate Parenting

5.7.1 None in the context of this decision

5.8 Consultation and Engagement

5.8.1 None

5.9 Insight

5.9.1 None in the context of this decision.

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
-

Corporate Anti-Fraud Team (CAFT) Annual Report 2018/19

The purpose of this annual report is to provide a summary on the outcome of all CAFT work undertaken during 2018-19 including CAFT progress and outcomes set against the objectives as set out in our annual strategy and work plan.

All CAFT work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. CAFT supports the Chief Finance Officer (and Section 151) Officer in fulfilling their statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. It supports the Council's commitment to a zero-tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

2018-19 saw CAFT officers investigate and prosecute an unprecedented internal financial fraud. In Response to his officer resource was diverted from all sections within the team to deal with the investigation.

The case was given the name Operation Rouble which subsequently proved to be the most challenging, complex and substantial fraud that Barnet has experienced.

- The fraud related to two offences of 'abuse of position' which were committed by a Capital Investment Manager, employed by Capita and working for Regional Enterprise. The offender created instructions for CHAPS payments in excess of £2 million to be processed in relation to fictitious compulsory purchase orders
- The CAFT were notified in December 2017 and utilised their financial investigators powers to obtain tangible evidence which resulted in the offender being arrested and suspended within 24 hours of the investigation being initiated.
- The criminal aspect of the investigation was evidenced and prepared for prosecution within five months which subsequently led to the successful conclusion of the case in July 2018 which saw the offender being sentenced at Harrow Crown Court to 5 years imprisonment.
- CAFT has carried on the financial investigation and continues to do so in order to ensure all proceeds of crime are identified and recovered accordingly
- CAFT has also worked closely with Internal Audit and Finance in relation to recommendation from the external review of financial controls and the ongoing audit testing relating to financial controls.
- CAFT jointly conducting a payments data analytics exercise with Internal Audit in order to identify irregularities and/or make recommendations for improvement.

Further details of the investigation can be found in the noteworthy investigation section, and full details of the external review into financial control conducted by Grant Thornton is available on the council's website [Financial controls - barnet.gov.uk](https://www.barnet.gov.uk/financial-controls)

This investigation received wide publicity with praise being given by Specialist Police Units, Senior Management and Members of the council to the CAFT in relation to the response and subsequent criminal and financial investigation conducted by the team

This year saw continued partnership working between CAFT and RE's Planning Enforcement Officers as well as other Local Authorities. Cases where enforcement notices had been breached were then referred to CAFT to carry out financial investigations into the criminal benefits obtained because of those breaches.

The Tenancy Fraud team has also continued to be successful this year, it has investigated **558** cases of alleged Tenancy Fraud in 2018-19. They were responsible for recovering **53** properties, it also prevented **41** Right to Buy applications due to the applicants not being eligible to purchase under the scheme as well as denying **3** new housing applications by persons who were not eligible to be housed.

Additionally, the Concessionary Travel Fraud Team investigated **412** cases of alleged Blue Badge misuse and Fraud. Of these, **69** cases were successfully prosecuted at Magistrates court with a further **109** cases resulting in a Formal Caution being administered by CAFT (after the offence was admitted during a formal interview under caution). These cases have resulted in more than **£40,000** worth of costs being recovered. A further **83** cases also concluded in Warning letters being sent to the Badge Holders and offenders.

Finally, the Corporate Fraud Team investigated **123** cases of alleged fraud. These resulted in **3** members of staff being dismissed (**1** relating to a member of Your Choice Barnet who removed funds from a deceased service users account which resulted in his arrest and **2** relating to theft by employees working in Refuse). The Corporate Team also successfully prosecuted the family member of a deceased Direct Payments claimant who removed payments from the deceased person's account.

In summary, we are confident that CAFT continue to provide an efficient value for money counter fraud service and has demonstrated that it is able to successfully investigate all types and levels of fraud referrals to an appropriate outcome.

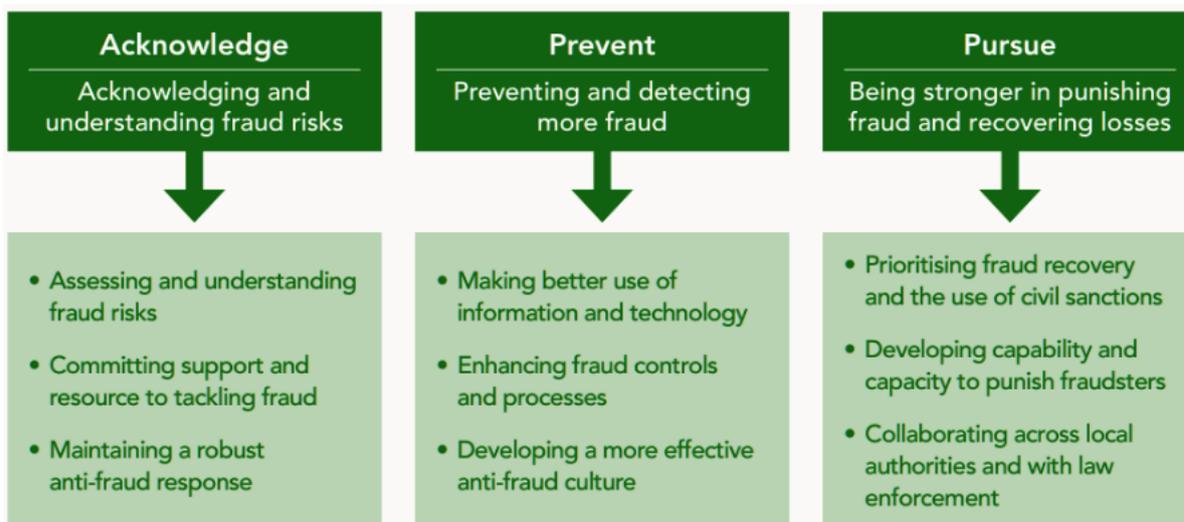
In addition to the specialist Financial investigative role, CAFT continue to provide advice and support to every aspect of the organisation including its partners and contractors. This advice varies between fraud risk, fraud prevention and detection, money laundering and other criminal activity as well as misconduct and misuse of public funds. Some of the matters may progress to criminal investigation, but in all cases appropriate action, such as disciplinary or recovery action, is taken. This element along with the 'preventative – deterrent' nature of the CAFT work is hard to quantify but where possible we have done so in the performance indicators section of this report.

Contents

- 1. Annual Anti-Fraud Strategy**
- 2. Pro-active fraud plan**
- 3. Performance Indicators**
- 4. Noteworthy investigations summaries for 2018-19**

1. Anti-Fraud Strategy

Our annual anti-fraud strategy was aligned with the strategic approach as outlined in 'Fighting Fraud Locally' (FFL) – the Local Government Fraud Strategy 2016 -2019. This provided a blueprint for a tougher response to tackle public sector fraud. In 2018-19 we also continued to incorporate the six themes as detailed within the 2016 FFL (**Culture, Capability, Capacity, Competence, Communication** and **Collaboration**) in our work. Our strategy is to incorporate a response to these themes, the consideration of local fraud risks facing the Council, horizon scanning on emerging national fraud risks and embedding relevant good practice guidance.



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

Each year we consider and review national fraud risks and emerging fraud trends against local intelligence fraud risks to assist in developing our risk based annual work plan (part of which is joint with internal audit). During the last year we have continued to strengthen our collaborative working with Internal Audit and key partners by utilising our intelligence, data analytics and data matching results to help direct anti-fraud reviews. We continue to work with services and key partners in helping ensure that anti-fraud arrangements are fit for purpose on all aspects of fraud risk.

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

Preventing (and deterring) Fraud

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

We have many open and easily accessible channels for reporting fraud, as well as a confidential reporting 'Whistle blowing' policy in place to assist employees in reporting concerns about fraud and other issues without fear of harassment or victimisation. There is CAFT dedicated E-learning training within the corporate 'induction' programme for all new starters.

CAFT routinely use data matching techniques to identify possible fraudulent activity as well as centrally co-ordinating and investigating referrals relating to the National Fraud Initiative (NFI) data matching exercises to

ensure that it is given high priority within Services. During the last year we have also introduced the use of data analytics as part of our pro-active exercises to have a more targeted risk based approach.

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

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

Pursuing Fraud (and seeking redress)

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

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

In 2018-19 we also continued to consider and incorporate the six themes as detailed within the 2016 FFL (**Culture, Capability, Capacity, Competence, Communication and Collaboration**)

| | |
|--|---|
| <p>Culture – creating a culture in which beating fraud and corruption is part of daily business</p> | <p>Operation Rouble highlighted areas where there are weaknesses in our anti-fraud culture. In response, CAFT have delivered an internal anti-fraud awareness campaign as well as a review of policies. Senior Management and Member support for the work of the team has meant that we have also been able to introduce a new Fraud Awareness E-learning package which will be rolled out across the whole organisation in 19-20 to help strengthen our anti-fraud culture.</p> |
| <p>Capability – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks</p> | <p>The Corporate Anti-Fraud Team is split into separate areas:</p> <ul style="list-style-type: none"> ➤ Tenancy Fraud which investigates all matters relating to social housing applications, tenancies and right to buy schemes. ➤ Concessionary Travel Fraud which primarily deals with Blue badge fraud but also investigates Freedom Passes and resident Parking Permit Fraud ➤ Corporate Fraud which deals with internal and external attacks on the public purse. |

| | |
|--|--|
| | <ul style="list-style-type: none"> ➤ Financial Investigation – in accordance with Proceeds of Crime Act ➤ Intelligence Officer – supports the work of all areas of the CAFT <p>This structure has been proven to work well as it is a flexible structure and we are able to deploy resources where they are most needed very quickly.</p> |
| <p>Capacity – deploying the right level of resources to deal with the level of fraud risk</p> | <p>The CAFT team sits within the Assurance Group of the Council. The Director of Assurance is the council’s senior anti-fraud champion and part of the councils Senior Management team.</p> <p>Operationally, the CAFT is led by the Head of Counter Fraud Operations as set out in the structure above.</p> |
| <p>Competence – having the right skills and standards</p> | <p>All 12 officers in CAFT are qualified Counter Fraud Specialists; 3 of these officers are also fully qualified specialist Financial Investigators accredited by the National Crime Agency (NCA). The Head of Counter Fraud Operations and Director of Assurance are also qualified in Counter Fraud Management as well as Financial Investigation and are accredited by the NCA as the Senior Responsible Officers in relation to financial investigations. The Financial Investigation specialists were instrumental in Operation Rouble.</p> |
| <p>Communication – raising awareness, deterring fraudsters, sharing information, celebrating successes</p> | <p>We continue to recognise that our communications play a key role in ensuring that our staff and residents understand and recognise fraud risks, understand the role of CAFT, the different types of fraud and channels through which they can report any concerns or incidents of fraud. To support this, CAFT continue to focus on this area to proactively promote outcomes, fraud exercises and prosecutions that take place.</p> |
| <p>Collaboration – working together across internal and external boundaries: with colleagues, with other local authorities and with other agencies; sharing resources, skills and learning, good practice, innovation, and information.</p> | <p>Operation Rouble is an excellent example of working in collaboration where CAFT Officers worked closely with colleagues from Internal Audit, Finance, Re, CAPITA, HB Public Law and both local and specialist police officers.</p> |

2. Pro-active fraud plan

Table 1 provides an update against all CAFT pro-active activity as set out within the 2018/19 plan

| CAFT Pro-active review | Outcome |
|---|--|
| <p>Corporate Fraud Adult Social Care direct payments A proactive exercise was carried out whereby data relating to direct payments was cross matched against DWP deceased records to identify any overpayments resulting from a failure to notify the council.</p> | <p>During the process of uploading data to the NFI it was identified that the timings of the uploads meant that direct payments which had started after the last NFI run but had stopped prior to the current NFI run were not being scrutinised or matched. This data related mainly to persons who had begun receiving direct payments after October 2016 but had passed away prior to October 2018. The purpose of this exercise was to identify payments that may have been made to recipients after they had passed away.</p> <p>The exercise used 589 cases where direct payments had terminated within the last two years. The results established in 59 cases where the direct payment was stopped as a result of the death of the recipient. In 55 of the cases the direct payment had been stopped on the relevant date in relation to the date of death. 4 Cases underwent further investigation and were closed once the correct direct payment amount had been confirmed.</p> <p>This exercise gave an assurance that proper processes were being applied to a data set that is not captured by the NFI program</p> |
| <p>National Fraud Initiative data matching exercises The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and error.</p> | <p>Barnet has a statutory duty as do all local authorities to take part in this national exercise and as a result in October and December 2018 Barnet submitted a number of data sets to the Cabinet Office for matching against other public-sector data sets. At the end of January 2019 this matching process returned 129 separate reports containing a total of 9518 matches to Barnet. Of the 129 reports, 77 were deemed to contain High level matches requiring the council to investigate and report the outcome. This work is still in progress. The Cabinet Office allows 18 months for the exercise to be completed with results being compiled and reported every 6 months.</p> |
| <p>Disabled Blue Badge (BB) Street Operations Disabled Blue Badges must only be used by the named badge holder, or by a person who has dropped off or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a Blue Badge in any other circumstances.</p> | <p>During the year CAFT have conducted <u>9</u> intelligence-led proactive 'street' exercises across the borough – these are accompanied by NSL Parking Enforcement Officers and Barnet Police. All the results of these operations are included within the statistical information in section 3 of the report.</p> <p>The first Operation was carried out on <u>4th April 2018</u> 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> |

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 were confirmed to be misused.

The third and fourth Operations were carried out on 22nd August 2018 and 17h September 2018 in Burnt Oak and High Barnet as part of '2 Days of Action' arranged by the Police. These two days resulted in **68** blue badges being checked and **5** cases of blue badge misuse being identified with **2** blue badges being seized.

The fifth Operation was carried out on 29th October 2018 in the Hendon area. During this operation **11** badges were identified as being misused, of these **4** badges were cancelled and **3** badges were seized.

The results of all these cases are reported in Section 3 below

In addition to the above exercises, there were three further Blue Badge Operations (6,7 and 8) during Fraud Awareness Week in November 2018

The week saw the Corporate-Anti Fraud Team come together with colleagues from other council enforcement teams including Trading Standards, Street Enforcement, Environmental Health and the Police.

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

| | | |
|--|------------|---|
| Operations six, seven and eight took place during this week gave the following results: Number of Blue Badges verified throughout the week-long operation | 277 | |
| Number of Fraud / misuse cases identified | 16 | Results reported in section 3 below |
| Number of badges seized | 5 | re Fraud i.e. stolen/ forged |
| Number of badges remaining at the scene | 11 | 11 re misuse |
| No. of PCN's issued relating to BB fraud /misuse | 11 | Where evidence of misuse/ fraud is obtained PCNs are issued immediately |

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| | <p>The ninth Operation was carried out on <u>8th March 2019</u> in the Golders Green and Temple Fortune areas. 72 blue badges were checked, 4 cases were identified as possible Fraud or Misuse and referred for further investigation including a stolen badge. 2 badges were also seized during this operation.</p> <p>Overall street based operations have resulted in 43 Blue Badges being seized. <i>(Full statistics on Blue Badge misuse/fraud are reported within section 3 of the report – Performance Indicators)</i></p> |
| <p>International Fraud Awareness Week 11th - 17th November 2018 This is a proactive week of action where the work of counter fraud officers is publicised and advice given to staff as well as members of the public to assist with any concerns they may have.</p> | <p>As well as carrying out Blue Badge Operations throughout the week with police, CAFT officers set up information stalls at Barnet House Housing reception, the Broadwalk shopping centre in Edgware, the Spires shopping centre in High Barnet and the quadrangle in Middlesex University at Hendon. CAFT officers were joined at these locations by colleagues from Trading Standards, Street Enforcement and Environmental Health and as well as the Insurance Department, where advice was given and promotional items, such as Post-it notes, pens, key rings and lanyards, being distributed to members of the public.</p> <p>CAFT also held “lunch and learn” sessions in the Council’s offices where fraud related paraphernalia seized from real investigations was on display with officers on hand to explain how they were used.</p> <p>Throughout the week there were also a number of communications released via First Team articles, Barnet First – e-newsletter, Computer and TV screen messages at NLBP and Barnet House and other Social Media, such as Tweets and Facebook and Press Releases, for the purpose of raising fraud awareness.</p> |
| <p>Tenancy Fraud pro-active exercises CAFT have a service level agreement with Barnet Homes in relation to Tenancy Fraud. As part of this agreement there is a commitment for Tenancy Fraud officers to carry out four pro-active exercises across the borough</p> | <p>There have been two pro-active exercise carried out this year.</p> <p>The first in May 2018, CAFT began a pro-active verification exercise that covered all properties owned by the registered social landlord (RSL) Metropolitan Housing within the Borough of Barnet. This meant that 205 properties were verified and visited by the tenancy fraud investigators carrying out tenancy audit checks. The exercise resulted in two properties being recovered, one being due to sub-letting (the case is currently with our legal team for criminal proceedings).</p> <p>The second in November 2018, CAFT conducted 2 pro-active ‘key fob’ exercises in New Southgate and Hendon. 146 tenants were asked to attend Barnet House to obtain their new fob keys for the entrance door to the buildings. 24 fobs were not collected but were later verified as being tenants who were unavailable on the that particular day. The exercise resulted in</p> |

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| | 2 ongoing investigations into possible tenancy fraud. |
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Table 2 provides details of joint CAFT and Internal Audit Reviews and overall assurance ratings as set out within the 2018/19 plan. Further details of these reviews can be found in the relevant internal Audit quarterly progress reports.

| CAFT and Audit Joint Reviews | Overall Assurance Rating | Summary of Findings | Relevant quarter issued in / Link to Internal Audit Report |
|---|--------------------------|---|--|
| <p>Depot Review – Areas being reviewed workforce management, Depot Security, Fuel Management, monitoring use of vehicles and depot support</p> | Reasonable | <p>This review resulted in</p> <p>One high risk recommendation relating to</p> <ul style="list-style-type: none"> ➤ Commercial Waste and Recycling Vehicle tracker monitoring and inspection. <p>One Medium risk recommendation relating to</p> <ul style="list-style-type: none"> ➤ Workforce Management - recruitment and sickness monitoring <p>Three Low risk recommendations relating to</p> <ul style="list-style-type: none"> ➤ Depot security – inventory management. ➤ Fuel Management ➤ Monitoring private use of motor vehicles | <p>Q2 audit progress report</p> |
| <p>Freedom Passes -this is a concessionary travel scheme, to provide free travel to residents who have sole or principal residence in London and are aged 60 and over (eligibility age increasing by phases to 66 by 2020) or who have any of the statutory disabilities listed in the Transport Act 2000. At Barnet, the Assisted Travel team, based in Coventry and run by CSG on behalf of the Council, manages the issuing of Freedom Passes for residents who fulfil the eligibility criteria and are entitled to a Disabled Persons Freedom Pass (DPFP). For Disabled Persons Freedom Passes which expired on 31</p> | Reasonable | <p>This review resulted in 3 medium risks relating to</p> <ul style="list-style-type: none"> ➤ Roles and responsibilities – assessing proof of address of DPFP applicant. - Fraud awareness training ➤ Policy and procedures – Cancellation of deceased Persons Freedom Pass <p>1 low risk finding relating to</p> <ul style="list-style-type: none"> ➤ quality reviews – checking documentation. | <p>Q3 audit progress report</p> |

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| March 2018, the Council have been reviewing ongoing entitlement | | | |
| Highways DLO | In Progress | | |
| CFO - RE and CSG Finance Relates to the follow up of actions identified as part of GT review | In Progress | | |
| Banking and Payments arrangements – to identify the key controls within the areas that govern all payments made by the Council and devise an overarching programme of testing across the different systems and processes to give assurance on the effectiveness of controls. This approach provides management with ongoing assurance on the Council’s compliance with its key financial controls. | Reasonable | This review resulted in 1 High risk finding relating ➤ to Bankline – access and authorisation. 1 medium risk finding relating to ➤ Bankline - templates and bulk lists. 3 low risk findings relating to ➤ Treasury Payment Process: Supporting documentation for treasury transactions. ➤ Treasury Payment Checklist ➤ Payments policy. | Q3 Audit Progress Report |
| Payments Data Analytics | TBC | TBC | TBC |
| General Ledger- areas to be audited are: Policies and procedures -The GL is updated accurately and on a timely basis. GL functions, including period end tasks and reconciliations, are clear and allocated to officers with the relevant training. All Integra processing impacting the GL is authorised.” GL processing, closing, reconciliation and suspense account management The general ledger is accurate and complete. Journals are authorised and are correctly posted | Reasonable | This review resulted in 5 medium risk relating to ➤ Dual Authorisation of amounts above £1m ➤ Integra Scheme of Financial Delegation ➤ Mandatory Integra training ➤ Journals ➤ Control Account reconciliation And 1 low risk relating to ➤ Local/team procedures | Q4 Audit Progress report |
| Disabled Facilities Grants | In progress | | |
| Public Health -Grants | In planning stage | | |
| Depot Review – Areas being reviewed workforce management, Depot Security, Fuel Management, monitoring use of vehicles and depot support | Reasonable | This review resulted in 1 high risk relating to ➤ Commercial Waste and Recycling Vehicle tracker monitoring and inspection. 1 Medium risk relating to ➤ Workforce Management - recruitment and sickness | Q2 audit progress report |

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| | | monitoring and 3 Low risks relating to <ul style="list-style-type: none"> ➤ Depot security – inventory management. ➤ Fuel Management ➤ Monitoring private use of motor vehicles | |
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Table 3 provides an update against all performance indicators as set out within the 2018/19 plan

| Performance Indicator | 2018-19 | Comments |
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| Corporate Fraud Team deal with the investigation of any criminal and fraud matters (except Benefit and Tenancy related fraud) attempted or committed within or against Barnet such as internal employee frauds, frauds by service recipients and any external frauds. They work in partnership with partners, other organisations and law enforcement agencies to ensure that the public purse is adequately protected | | |
| Number of carried forward Fraud investigations from previous year | 18 | |
| Number of new fraud investigations | 105 | |
| Total Number of cases dealt with 2018-19 | 123 | |
| Total Number of closed fraud investigations | 100 | 2 cases were closed resulting in staff dismissals, 3 cases were closed as Fraud Proven (No further action taken), 2 cases referred to the DWP, 2 cases closed as school place withdrawn, 2 cases were closed as merged with active cases, 53 closed No fraud, 26 closed insufficient evidence 5 cases referred to the police. 5 were closed after Advice and Assistance was given to respective departments. |
| Number of staff* no longer employed / dismissed as a result of CAFT investigations *This included LBB/Agency/Temporary staff and/or partner organisations or subsidiary holdings). | 4 | Please refer 'Corporate Fraud Noteworthy Investigation' sections of the report for further details. |
| Total number of on-going fraud investigations | 23 | Of these 23 cases, 1 relates to School admissions 1 relates to Family Services, 1 relates to RE, |

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| | | <p>9 relates to Council Tax, 1 relates to Waste and recycling, 1 relates to Parking, 1 relates to Assisted Travel, 6 relate to Adults & Communities (Direct Payments), 1 Adults & Communities (Customer Financial Affairs) 1 relates to Children's Services (Direct Payments)</p> |
| <p>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.</p> | | |
| Number of carried forward Fraud investigations from previous year | 117 | |
| Number of new BB referrals received | 295 | |
| Total Number of cases dealt with 2018-19 | 412 | |
| Number of cases that were closed after successful prosecution | 69 | |
| Number of cases closed with Cautions being Administered | 109 | |
| Number of cases closed with a warning letter sent to badge holder or misuser | 83 | |
| Number of cases closed, fraud proven but no further action taken | 10 | These are cases where the circumstances of the offence are such that further action is unable to be taken or it is not in the councils or public's interest to pursue the matter |
| Number of cases closed due to insufficient evidence | 54 | |
| Number of cases closed, No Fraud | 13 | |
| Number of BB cases closed in 2018-19 | 338 | |
| Number of on-going BB investigations carried forward into 2019-20 | 74 | 18 of these cases are already with our legal team for formal prosecution action |
| <p>Financial Investigations - a Financial Investigation under the Proceeds of Crime Act 2002 (POCA) ensures that any person subject to a criminal investigation by Barnet do not profit from their criminal action</p> | | |
| Number of carried forward Financial investigations from 17-18 | 18 | |
| Number of new Financial investigations | 12 | |
| Total number of cases dealt with 2018-19 | 30 | |
| Number of closed Financial investigations | 8 | 2 were closed as Proceeds Recovered |

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| | | | <p>1 was closed Fraud Proven (linked to a Fraud Case)</p> <p>3 were closed No Fraud</p> <p>1 was closed insufficient evidence</p> <p>1 was closed as advice and assistance given</p> |
| <p>Proceeds of Crime recovery amounts received.</p> <p>Under the Governments incentivisation scheme funds confiscated from criminals is shared as follows:</p> <ul style="list-style-type: none"> • 50% is allocated to the Treasury • 12.5% is allocated to the courts • 37.5% is allocated to the investigating and prosecuting authority <p>In addition to this scheme and in relation to the 37.5%, CAFT have local agreements in place with Re and other Local Authorities with regard to each investigation – as this share is some cases split further.</p> <p>For POCA cases relating to LBB services, the full 37.5% share is retained.</p> | <p>Total PoCA Confiscation resulting from CAFT Financial investigations</p> <p>£1,412,537</p> | | <p><i>Breakdown of amounts - Refer to noteworthy summary for details of cases where POCA awarded and recovered in year</i></p> <p>SHAH – £242,849 (total amount goes to Re as compensation towards loss)</p> <p>FI Case 1: £310,000 (£31,000 for LBB and 85,000 for LBH)</p> <p>FI Case 2: £65,000 (£12,187 for LBB and £12.187 for RE)</p> <p>FI Case 3: £527,887 (52,788 for LBB and £145,169 for LBH)</p> |
| | <p>37.5% (Of total amount) allocated to investigating and prosecuting authority (LBB)</p> <p>£628,441</p> | | <p>FI Case 4: £43,050 (£4,305 for LBB and £11,838 for LBH)</p> |
| | <p>LBB amounts</p> <p>£157,234</p> | | <p>FI Case 5: £223,751 (£41,953 for LBB and £41,953 for Re)</p> <p>Tenancy fraud case Miss C: £40,004 (£15,001 for LBB)</p> |
| | <p>Re amounts</p> <p>£242,849 (SHAH case)</p> <p>+</p> <p>£54,140 (relating to planning cases)</p> | | |
| | <p>Other LA's amounts</p> <p>£242,007 (relating to planning cases)</p> | | |
| <p>Total Number of on-going Financial investigations carried forward in 2019-20</p> | <p>22</p> | | <p>Of these ongoing investigations: -</p> <p>6 relate to Re (Planning Enforcement)</p> <p>3 relate to Tenancy Fraud</p> <p>9 relate to investigations undertaken on behalf of L.B Haringey</p> |

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| | | <p>1 relates to an investigation undertaken on behalf of L.B Enfield</p> <p>1 relates to Re (Finance)</p> <p>1 relates to Re (Trading Standards)</p> <p>1 relates to Barnet Homes (Rental income Team)</p> |
| <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 2016-17 | 96 | |
| Number of new Tenancy Fraud Cases referred to CAFT | 307 | |
| Number of new Right to Buy applications where information submitted was verified by CAFT | 155 | |
| Total number of cases dealt with 2018-19 | 558 | |
| Number of Tenancy cases closed resulting in a property being recovered | 53 | <p>44 relate to standard tenancies <i>12 were recovered via civil court action due to evidence obtained by the CAFT investigation, 32 sets of keys were voluntarily surrendered as a result of CAFT investigations.</i></p> <p>4 relate to succession applications where the property was voluntarily surrendered by relatives who had no valid succession rights</p> <p>5 relate to emergency accommodation <i>1 property was voided due to non-occupancy and 4 voluntarily surrendered due to tenants not being resident or no longer needing the property</i></p> |
| Number of Tenancy cases closed with no fraud being identified | 249 | These cases were all investigated. All were closed due to no fraud being identified |
| Number of Housing Applications refused because of CAFT verification process | 3 | CAFT work closely with the Housing Options Team and carry out verification exercises for identifying |

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| | | inaccurate information being submitted on housing application forms. These exercises allow us to reserve the housing waiting list for only those who have a legitimate need for social housing |
| Number of mutual exchanges prevented because of CAFT intervention | 1 | Since April 2017 all mutual exchange applications are validated by CAFT to prevent unlawful house swapping. |
| Assignments refused as a result of CAFT intervention | 1 | CAFT check all assignments applications. These are when the tenant tries to assign the tenancy to another person |
| Number of Right to Buy cases closed due to applications being denied | 41 | £4,300,900 in discounts on these properties was prevented by refusing the sale of the properties due to the application being withdrawn as a result of CAFT investigations. |
| Number of Right to Buy cases closed after the application was validated by CAFT as being genuine | 111 | All Right to Buy cases are validated by CAFT. These cases were validated as having no issues and so allowed to progress through the Right to Buy Process with Barnet Homes |
| Total number of cases closed 2018-19 | 459 | |
| Total number of on-going Tenancy Fraud Investigations. | 88 | |
| Number of cases with legal awaiting court action | 8 | |
| Total number of on-going right to buy Investigations. | 3 | |
| Number of cases being carried forward into 2019-20 | 99 | |
| Other information reported as per requirements of policy. | | |
| Number of requests authorised for surveillance in accordance with Regulation of Investigatory Powers Act 2000 (RIPA). | Nil this year. This statistic is reported for information purposes in accordance with our policy and statistical return to the Office of Surveillance Commissioners. There was 1 Non RIPA Request for Overt surveillance which was considered by the Councils SRO and reported to the ICO (Information Commissioners Office). In addition to this, the Authority was audited by the ICO where matters around RIPA training and enhances policies were discussed. The Authority is currently waiting for the final report to be delivered from the ICO | |

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| <p>Number of referrals received under the council's whistleblowing policy.</p> | <p>There have been 4 referrals received under the council's whistleblowing policy 2018-19:</p> <p>1 - relates to a two-part referral the first and substantive part of the referral related to the individuals own employment issues and the whistle-blower was informed how to raise the issue in accordance with the relevant HR Policy. The second part of the referral related to various concerns that will be reviewed within planned internal audits.</p> <p>2 – relates to a matter that was passed to the appropriate service to deal with under the Corporate Complaints procedure.</p> <p>3 - relates to a matter that was passed to appropriate service to deal with under the Corporate Complaints procedure</p> <p>4- one relates to an issue that has been dealt with under the Corporate Complaints procedure.</p> |
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3. Noteworthy investigations summaries for 2018/19

Corporate Fraud Investigations

Case 1 - relates to a Financial Proceeds of Crime Case and a significant Fraud by **Trishal SHAH**, a former Capita member of staff working for Re (Regional Enterprise Ltd) a joint venture between the council and Capita, who was also previously employed by the council within the finance department.

The investigation began in December 2017 when the council/CSG finance department were alerted to an unusual transaction by SHAH's bank. The matter was immediately passed to CAFT who initiated a criminal and financial investigation and within 24 hours of the initial referral, sufficient evidence was obtained relating to many fraudulent transactions giving grounds to arrest SHAH at his home address with the assistance of Police colleagues. During the arrest, a search of SHAH's residence took place which resulted in documentary evidence and a quantity of cash being seized. CAFT officers conducted an interview under caution at Colindale Police Station where SHAH made 'no comment' to questions put to him. Following the interview SHAH was released from Police custody pending further investigations by the council.

CAFT continued with the investigation which was complex and lengthy in its nature. The key factors in this case were that SHAH had abused his position of employment as a Capital Investment Manager Within Re to give dishonest instructions for CHAPS payments to be processed in relation to fictitious compulsory purchase orders [CPOs] so that the funds were diverted into 10 different bank accounts operated by him. The investigation had confirmed that a total of 62 CHAPS payments were requested by SHAH and that the fraud was perpetrated over a sustained period of 9 ½ months in all. **The total value of the fraud was £2,063,972.00**, this was repaid to the council by Re.

The CAFT investigation included utilising our financial investigation powers to the full extent and seeking support where appropriate from colleagues in the Economic Crime Unit within the Police service. Once we were satisfied that we had established the full extent of the fraud, SHAH was interviewed under caution a second time on 28th February 2018 by CAFT officers this time at NLBP. Once again at this interview SHAH made no comment to the questions put to him; although he did read out a prepared statement.

Following this second interview, a prosecution file was completed by CAFT and SHAH was subsequently summonsed by our shared legal service HB Public Law 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. SHAH gave no indication of plea and the matter was referred to Crown Court for a Plea and Trial Preparation Hearing

on 31st July 2018. At this hearing on 31st July 2018 SHAH pleaded guilty to two offences of fraud by abuse of his position. The charges related to two separate periods of time, separated by a 7-month gap, during which the fraudulent transactions were made; July 2017 – March 2017 and October 2017 – December 2017.

SHAH was sentenced to **5 years imprisonment** on each of the 2 counts of Fraud by Abuse of Position (Fraud Act 2006) to run concurrently. The council has recovered the stolen funds and are currently engaged in further legal actions under the Proceeds of Crime Act relating to confiscation proceedings.

In parallel to the criminal investigation the council commissioned Grant Thornton to undertake an independent review of financial controls. CAFT officers have supported the Grant Thornton review and worked closely with the auditors throughout to enable the council to fully understand and document the circumstances under which the fraud occurred and to also identify lessons learned.

The final Grant Thornton report is available and published on the council's website: - [Financial controls - barnet.gov.uk](https://www.barnet.gov.uk)

Case 2 relates to a case of Direct Payments Fraud. The offender continued to receive and spend her father's social care payments despite the fact that he had passed away. Kalson HASSAN appeared at Willesden Magistrates' Court on 4th September 2018 where she pleaded guilty to fraud offences after failing to notify the council. Following an investigation carried out by CAFT, it was established that she had illegally -retained more than £8,000 in direct payments.

When interviewed by counter-fraud officers, HASSAN confirmed she had spent all the money received since her father passed away. At the court hearing she was sentenced to a 12-month community order with 120 hours of unpaid work. She was also ordered to repay the £8,137.53 she illegally claimed, and £1,000 in costs.

Case 3 relates to a member of staff of Your Choice Barnet, part of the Barnet group who was arrested and charged by Police with Fraud by false representation, following an allegation that monies had been identified as being taken from the bank account of a Barnet adults service user after he had passed away. CAFT assisted Police with the investigation leading up to the arrest, the member staff is no longer working for the organisation as a result of the investigation and is due to be sentenced in the next couple of months for the offence.

Case 4 relates to an investigation following a referral from a shop owner who alleged that he had seen a Barnet vehicle enter an area of private property and observed staff members take items belonging to his shop without his permission. He initially reported the matter to both the council and Police. Police subsequently closed their investigations as they stated the case did not meet their threshold for further investigation to be considered, the staff members were identified, and the items were returned to their rightful owner. A disciplinary investigation then ensued resulting in the dismissal of 2 members of staff and a third resigning prior to disciplinary.

Case 5 relates to an allegation of a fraudulent primary school's admission. The basis of the referral was that the application address was in fact within the catchment area for the requested school, but that the applicants did not reside at the address. CAFT therefore commenced an investigation. CAFT enquires confirmed that although the address was owned by the applicant they did not reside at the property as there was evidence they actually resided at an address outside the catchment area and as a result the preferred school requested by the applicant was not offered so no further action needed to be taken.

Case 6 relates to a school place application submitted to the admissions team, suspicions were raised to CAFT in relation to the application address following inconsistent information being provided by the applicant, investigations revealed that at the time of application the applicant was not residing at the property which had been declared on the application form, given that the school place was going to be offered based on the location off the applicant address and it had been confirmed they were not resident at the property the school place application was not accepted by the admissions team in relation to the desired school placement of the applicant.

Blue Badge Prosecutions

Case 1 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 2 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 child 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 3 relates to the misuse of a deceased person's Blue Badge that was being used by a family member to gain free parking. The offender used the badge on two separate occasions and provided false information indicating that his grandmother was still alive to avoid paying the parking fines. The offender pleaded Guilty at Willesden Magistrates Court on 4th September 2018 to two offences of wrongful use of a disabled badge contrary to section 117 of the Road Traffic Regulation Act 1984 and was sentenced to a fine of £660 for each of the two offences, ordered to pay costs of £700 and a £66 victim surcharge.

Case 4 relates to the misuse of a family member's disabled badge. Further investigation revealed that the defendant had already been given a caution by the London Borough of Barnet for the misuse of the same badge on a previous occasion. The offender admitted to the misuse at interview. He failed to attend at Willesden Magistrates Court on 18th September 2018 and was found guilty in absence 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 £500, ordered to pay costs of £794.90 and a victim surcharge of £50.

Case 5 relates to the fraudulent use of a stolen Disabled Badge. The offender persuaded his father to attend an interview under caution and cover for him by stating that he was the one who used the badge. CCTV evidence showed the real offender and eventually he attended an interview and gave a full admittance stating that he had bought the badge off someone. The offender pleaded guilty to Handling Stolen Goods (Theft Act) and wrongful use of a disabled badge contrary to 117 Road Traffic Regulation Act 1984 on 5th September 2018 and was sentenced to a fine of £150, ordered to pay full costs of £1741 and a victim surcharge of £30.

Case 6 relates to the misuse of Disabled Badge that had been reported as stolen a year before its use. The offender attended interview but failed to give an explanation for how he came to be in possession of the badge. The offender failed to attend at Willesden Magistrates Court on 24th July 2018 and was found guilty in absence 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 £440, ordered to pay costs of £912.90 and a victim surcharge of £44.

Case 7 relates to the misuse of a child's disabled Blue Badge that was being used by a family member to gain free parking. The offender initially pleaded 'not guilty' at Willesden Magistrates Court on 9th October 2018 stating that the badge was not on display. After a brief discussion with her lawyer, she pleaded Guilty to an offence of wrongful use of a disabled badge contrary to section 117 of the Road Traffic Regulation Act 1984 and was sentenced to a conditional discharge, ordered to pay costs of £2,000 and a £20 victim surcharge.

Case 8 relates to the fraudulent use of a foreign disabled badge believed to be a forgery. The offender was approached by Fraud Officers at the scene when using the badge and had refused to co-operate. He drove off without providing his details. Video footage was obtained by the officer which gave a clear description of the driver who was later identified as being a student at the local University. He attempted to mislead the investigation by stating that he had sold the car and the offender was not him and refused to attend a formal interview. The offender was summonsed to court and pleaded guilty to wrongful use of a disabled badge

contrary to 117 Road Traffic Regulation Act 1984 on 13th November 2018 and was sentenced to a fine of £150, ordered to pay full costs of £550 and a victim surcharge of £30.

Case 9 relates to the misuse of a deceased persons Blue Badge that was being used to gain free parking. The offender stated that he had found the badge a couple of days before, however further investigations established that the badge had been used on the same vehicle some months earlier by his wife (please see case 10 below). The offender in this case pleaded guilty at Willesden Magistrates Court on 13th November 2018 to Theft by finding (Theft Act 1968) and 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 £500 for Theft, a £200 fine for the misuse of the badge, ordered to pay costs of £500 and a £50 victim surcharge.

Case 10 – relates to the misuse of a deceased persons Blue Badge that was being used to gain free parking. The offender was investigated for using the badge on her vehicle when it came to light that she had received a parking fine and photographic evidence showed the Blue Badge displayed. She was interviewed and admitted using the badge that had been found by her husband. The offender pleaded guilty to wrongful use of a disabled badge contrary to 117 Road Traffic Regulation Act 1984 on 13th November 2018 and was sentenced to a fine of £100, ordered to pay costs of £200 and a victim surcharge of £30.

Case 11 relates to the misuse of a deceased persons Blue Badge that was being used to gain free parking on more than one occasion. Further to this, the offender had appealed and got away with paying previous parking fines by stating that he had a blue badge and that he was the badge holder. The offender pleaded guilty to two offences of wrongful use of a disabled badge contrary to 117 Road Traffic Regulation Act 1984 and 2 offences of Fraud by False Representation contrary to the Fraud Act 2006 on 04th December 2018. He was sentenced to £600 for each Fraud offence, £100 for each misuse offence, ordered to pay costs of £1,280.09 and a victim surcharge of £60. In total, he was ordered to pay £2,740.09

Case 12 relates to the misuse of a child's Blue Badge on several occasions by the badge holders mother. She was under investigation for misusing the badge and had continued to misuse the badge whilst proceedings for offences were on going. The first case went to trial at Willesden Magistrates Court on 10th January 2019 and the offender was found guilty by the Magistrates of two offences of wrongful use of a disabled badge contrary to 117 of the Road Traffic Regulation Act 1984. She was fine £150 for each offence and ordered to pay costs of £500 as well as a £30 victim surcharge. She was brought to court for the third offence of wrongful use of her child's badge and pleaded guilty at Willesden Magistrates Court on 26/03/2019 and was fined £250, ordered to pay costs of £150 and a £30 victim surcharge.

Case 13 relates to the misuse of a stolen Disabled Badge. The offender claimed to have found the badge and subsequently misused it to gain free parking. He pleaded guilty at Willesden Magistrates Court on 29th January 2019 to Theft by Finding contrary to the Theft Act 1968 and wrongful use of a blue badge contrary to section 117 of the Road Traffic Regulation Act 1994. He was sentenced to a fine of £250, ordered to pay costs of £300 and a £30 victim surcharge.

A further 56 cases of blue badge Fraud were put before the courts. All of which were found guilty with Fines being issued and costs being awarded to the council.

Simple Cautions (previously known as Formal or Police Cautions)

The aims of the simple caution scheme are:

- *To offer a proportionate response to low-level offending where the offender has admitted the offence;*
- *To deliver swift, simple and effective justice that carries a deterrent effect;*
- *To record an individual's criminal conduct for possible reference in future criminal proceedings or in criminal record or other similar checks;*
- *To reduce the likelihood of re-offending;*

- *To increase the amount of time police/investigation officers spend dealing with more serious crime and reduce the amount of time officers spend completing paperwork and attending court, whilst simultaneously reducing the burden on the courts.*

109 cautions were administered by CAFT in 2018-19 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.

Financial Investigations

Case 1 - 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 (*Barnet will receive 10% of this awarded amount (£31,000) under our agreement with Haringey in addition to the hourly recharge for time spent on the investigation*). The defendant was also fined £5,000 and ordered to pay costs of £4,000.

Case 2 - relates to a RE planning investigation involving Proceeds of Crime Act for the rental income derived by 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 Under the incentivisation scheme Barnet will receive £24,375 (**£12,187 for LBB** and £12,187 for RE) the offender was also fined £5,000 for the planning offence and ordered to pay costs of £15,000. This has been confirmed as received by the courts and will be transferred to Council in April 2019.

Case 3 - relates to a case that was part of our partnership working with the London Borough of Haringey. Their investigation centred around the rental income derived as a result of a breach of a planning enforcement notice whereby the defendant converted a property he owns into 12 flats which he went on to rent out in order to make a profit without having obtained the correct planning permission for the conversion of the property into individual dwellings. This case was investigated by Barnet Financial Investigators as part of an agreement with the London Borough of Haringey, the court ordered the suspect to pay a confiscation order in the sum of £527,887- (*Barnet will receive 10% of this awarded amount (£52,788) under our agreement with Haringey in addition to the hourly recharge for time spent on the investigation*), he was also fined the maximum £20,000 for the initial planning offence and ordered to pay nearly £5,000 in costs.

Case 4 - relates to a case that was part of our partnership working with the London Borough of Haringey. Their investigation centred around the rental income derived as a result of a breach of a planning enforcement notice whereby the defendant converted a property she owns into 2 flats which she went on to rent out in order to make a profit without having obtained the correct planning permission for the conversion of the property into individual dwellings. This case was investigated by Barnet Financial investigators as part of an agreement with the London Borough of Haringey, the court ordered the suspect to pay a confiscation order in the sum of £43,050 (*Barnet will receive 10% of this awarded amount (£4,305.) under our agreement with Haringey in addition to the hourly recharge for time spent on the investigation*) she was also fined £8,000 for the initial planning offence and ordered to pay £2,000 in costs.

Case 5 - relates to a RE planning investigation involving Proceeds of Crime Act for the rental income derived as a result of a breach of a planning enforcement notice whereby the defendant converted a property he owns into 4 flats which he went on to rent out in order to make a profit without having obtained the correct planning

permission for the conversion of the property into individual dwellings. The defendant failed to attend court hearings in relation to the planning enforcement offence and so a warrant was issued for his arrest. The Council had submitted evidence that the offender had absconded and as such commenced proceedings under the Proceeds of Crime Act which allows the court to consider confiscation where an offender is neither convicted nor acquitted. The lengthy investigation involved gathering evidence that the offender was absconding criminal proceedings and calculating income derived from the proceeds of crime generated from the renting of the flats. On 12th March 2019 at Harrow Crown Court, the judge found that the criteria were met for making the confiscation order in the absence of the defendant for £223,751. Under the incentivisation scheme Barnet will receive £83,906 (**£41,953 for LBB** and £41,953 for RE) There was also an order to pay full costs of £7,164. This has been confirmed as received by the courts and will be transferred to LBB in April 2019.

Tenancy Fraud Investigations

Mr A had a two bedroom flat in Edgware, a referral was received from the Gas Safety Team following a forced entry into the property due to lack of contact, the locks on the property were changed, however the tenant did not pick up the new keys, the CAFT investigation found the tenant had been abroad since September 2017 and had no intention to return, the case went to civil court and outright possession was granted, an eviction took place and the property was recovered, no further action was taken due to the tenant being abroad.

Ms B had a two bedroom flat in Edgware, an anonymous referral was received stating the tenant was sub-letting the Nottingham Housing Association property they were meant to be residing in, the CAFT investigation identified that the tenant had been living abroad for some time and was sub-letting the property receiving a rental income of £600 per month, whilst causing a loss to Barnet Council of over £15,000, the tenant was interviewed under caution where she fully admitted the offence of sub-letting the property whilst she was living abroad, the case is currently with legal at present for prosecution.

Miss C had a two bedroom flat in Barnet, a referral was received stating the tenant was not resident in the property and sub-letting to two other people, the CAFT investigation identified the tenant jointly owned a property elsewhere and had been living there with her partner and family. Further investigation found she had been receiving a rental income from the sub-tenants between October 2007 and October 2013. The matter went to Harrow Crown Court where the tenant pleaded guilty to a charge of subletting, contrary to section 1 of the Prevention of Social Housing Fraud Act and received a sentence of 20 months imprisonment, suspended for 18 months. She was ordered to carry out 80 hours of unpaid work and to pay costs of £6,883. CAFT decided to take further financial action under the Proceeds of Crime Act 2002 due to the rental income received. As a result, a confiscation order was made by the court for the amount of £40,004. Under the incentivisation scheme Barnet receives £15,001. This has been paid in full.

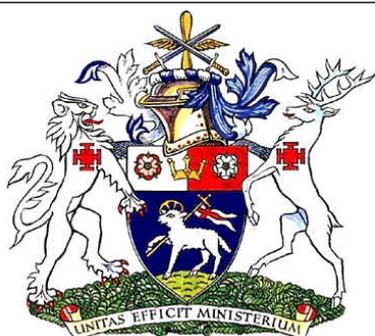
Mr D made an application to Barnet Homes looking to succeed his late grandmother's two bedroom flat in Barnet, to be able to succeed a tenancy the applicant must have been resident in the property for at least 12 months prior to the tenant passing away, the CAFT investigation found that the applicant had not been resident at the property for the required amount of time, the applicant was interviewed where he agreed to withdraw the application and voluntarily surrender the keys.

Miss E had a two bedroom house in Edgware with Nottingham Housing Association, a referral was received from the housing officer who had concerns the tenant did not have her son living with her at the property, the CAFT investigation found that her 'son' was in fact her nephew and he lived elsewhere with his actual mother, a visit to this property confirmed this, the tenant had completed a false application form to obtain the property and was interviewed under caution, the tenant fully admitted to the offence and the property was recovered, due to a number of mitigating circumstances the tenant was given a formal caution and made a contribution towards the investigation costs.

Mr F had a two bedroom flat in Finchley, as part of a proactive exercise an un-announced visit was made to the property to carry out a tenancy audit check, the door was answered by a person who was not the tenant and stated that her and a friend rented the property from Mr F and each paid him rent of £600 per month, the CAFT investigation revealed the tenant was living elsewhere with his wife and child where he had another tenancy and was in deed sub-letting the social housing property, bank statements confirmed he was receiving rental payments from two people in the amount of £600 per month, the tenant was interviewed under caution where he admitted sub-letting the property, the tenant voluntarily gave up the tenancy and returned the keys, the case is now with our legal team for criminal proceeding.

Mr G had a one bedroom flat in Hendon, a referral was received from the care taker of the address who suspected the property was being lived in by someone other than the tenant, the resulting CAFT investigation found that the tenant was in fact living elsewhere whilst sub-letting the property and receiving rental payments. The tenant failed to attend any of the arranged interview under caution appointments and made it clear he would not be attending. The case was taken to civil court where an outright possession order was granted and the property was recovered. The case is currently with our legal department for consideration to prosecute in relation to offences contrary to Section 1 of the Prevention of Social Housing Fraud Act 2013.

Mr H had a one bedroom flat in Colindale, an application was received from the tenant in relation to reassigning the property to his brother as he needed to travel to Afghanistan to care for his sick mother, the CAFT investigation found that the tenant had in fact been living in Canada since 2014, the tenant returned to the UK for a formal interview under caution, however his solicitor advised him not to be interviewed, the tenant subsequently voluntarily surrendered the keys to the property and then returned to Canada before any legal proceeding could take place.



Audit Committee

1st May 2019

| | |
|--------------------------------|--|
| Title | Internal Audit & Anti-Fraud Strategy and Annual Plan 2019-20 |
| Report of | Director of Assurance Head of Internal Audit Head of Counter Fraud Operations |
| Wards | Not applicable |
| Status | Public |
| Urgent | No |
| Key | No |
| Enclosures | Appendix 1 - Internal Audit & Anti-Fraud Strategy and Annual Plan 2019-20 |
| Officer Contact Details | Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721 |

Summary

The Internal Audit & Anti-Fraud Strategy and Annual Plan has been formulated in consultation with the Council Management Team and with reference to the Council's risk registers.

Points to note:

Remaining actions from Grant Thornton Review of CPO fraud – if not fully implemented prior to 1st May Audit Committee we suggest continuing to follow these up as part of the appropriate 'Business as Usual' audits as follows:

| GT ref | GT finding | Proposed Audit | Provisional timing |
|---------------|--|--|---------------------------|
| GT4 | Managing access and authorisation rights on IT systems | HR Processes (post insourcing) | Q2 |
| GT15 | BACS process for new suppliers | Accounts Payable (2018/19 review still at fieldwork stage) | Q1 |
| GT21 | Capital Budgets (BDM) | Capital Budget Monitoring | Q2 |
| GT16 | Duplicate banking details | Accounts Payable (2018/19 review still at fieldwork stage) | Q1 |
| GT20 | Capital Budget Review | Capital Budget Monitoring | Q2 |

Follow-ups – we are allocating more resource to these activities in 2019/20 to enable us to strengthen our approach to following up previous audits. In particular this is due to the high level of audit follow-up work required in 2018/19 and to enable us to follow-up more Medium priority actions.

Internal Audit Growth Bid

During the year we submitted a successful growth bid for £116k. This bid is being used to fund two new posts within the in-house Internal Audit team, an Internal Audit Manager and a second Senior Audit Executive. Once non-chargeable days have been taken into consideration this equates to approximately 200 additional 'audit days' to incorporate into the plan.

The additional audit days have primarily been allocated as follows:

- Audits of services brought back in house i.e. Finance and Strategic HR (as these audit costs were previously covered by Capita)
- Additional audit days on Key Financial Systems in light of the CPO fraud
- Additional days for audit follow-ups (as in 2018-19 the amount of audit resource spent on these was unusually high)
- Significant number of additional contingency days to enable the plan to be more responsive as risks emerge during the year

Recommendations

- 1. That the Committee approves the Internal Audit & Anti-Fraud Strategy and Annual Plan for 2019-20.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee's role in receiving the Internal Audit & Anti-Fraud Strategy and Annual Plan for 2019-20 is to consider the planned programme of work.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Compliance with the Public Sector Internal Audit Standards.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable

4. POST DECISION IMPLEMENTATION

- 4.1 The Internal Audit & Anti-Fraud Strategy and Annual Plan will be delivered and progress against the plan reported to the Audit Committee on a quarterly basis.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 All internal audit and CAFT planned activity in 2018-19 was aligned with the Council's objectives set out in the Corporate Plan 2015-2020, and thus supported the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.
- 5.1.2 A comprehensive Internal Audit Plan is essential to giving an annual Internal Audit Opinion on the internal control environment (ICE) which is fundamental for the achievement of all of the Council's objectives. This opinion forms an integral element of the Annual Governance Statement.
- 5.1.3 The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti-Fraud Team supports this by continuing to provide an efficient, effective value for money anti-fraud activity.

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

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

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

5.2.3 The proposed plan is being achieved from Internal Audit & CAFT's current budget.

5.3 Social Value

5.3.1 None in the context of this decision

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

5.5 Risk Management

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

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

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

5.6 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 None in the context of this decision

5.8 Consultation and Engagement

5.8.1 Not applicable.

5.8 Insight

5.8.1 None in the context of this decision

6. BACKGROUND PAPERS

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

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

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INTERNAL AUDIT AND ANTI-FRAUD STRATEGY AND ANNUAL PLAN 2019-20

Clair Green, Assurance Director

Caroline Glitre, Head of Internal Audit

Declan Khan, Head of Counter Fraud Operations

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INTRODUCTION

Internal Audit

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

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

Internal Audit Service Provision

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

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

Being a part of this framework enables us to:

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

Managed Audit Approach

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

INTRODUCTION

Risk-Based Plan

The risk-based plan has been formulated in line with the requirements of the Public Sector Internal Audit Standards. The Institute of Internal Auditors (IIA) describes assurance mapping as “a tool to ensure key risks are assured across your organisation – driving out gaps and overlaps in the assurance jigsaw”. We have used this approach to help inform where internal audit resource should be directed in 2019/20 to ensure that duplications of assurance activities or gaps in coverage are identified as follows:

- Updating our understanding of the Council’s services to define its ‘Auditable Units’ - key activities performed by the Council which could be audited by internal audit;
- Reviewing the corporate risk register;
- Seeking agreement of the plan by CMT and the Audit Committee to ensure coverage of the core aspects of the Council’s governance and control environment.

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

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

Emerging issues

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

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

INTRODUCTION

Corporate Objectives

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

The Council's Corporate Plan 2019-2024 identifies three main outcomes which have been based on consultation with residents:

- **A pleasant, well maintained borough that we protect and invest in**
- **Our residents lead happy, healthy, independent lives with the most vulnerable protected**
- **Safe and strong communities where people get along well**

These outcomes will be considered as part of each audit, as applicable.

The Internal Audit and CAFT functions are organisationally independent from the Council Management Team and other Council officers.

Officer and Management Responsibilities

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

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

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

INTRODUCTION

Corporate Anti-Fraud Team (CAFT)

All CAFT work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. CAFT supports the Chief Finance Officer in fulfilling their statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. It supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. Through the work of the CAFT in the previous year we recognise that the organisation needs to strengthen the anti fraud culture, and we aim to progress this with anti fraud awareness and communications campaigns, including the relaunch of our e-learning programme as well as bespoke face to face fraud risk workshops, in addition we will continue to work jointly with relevant services including internal audit on improving internal controls.

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

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

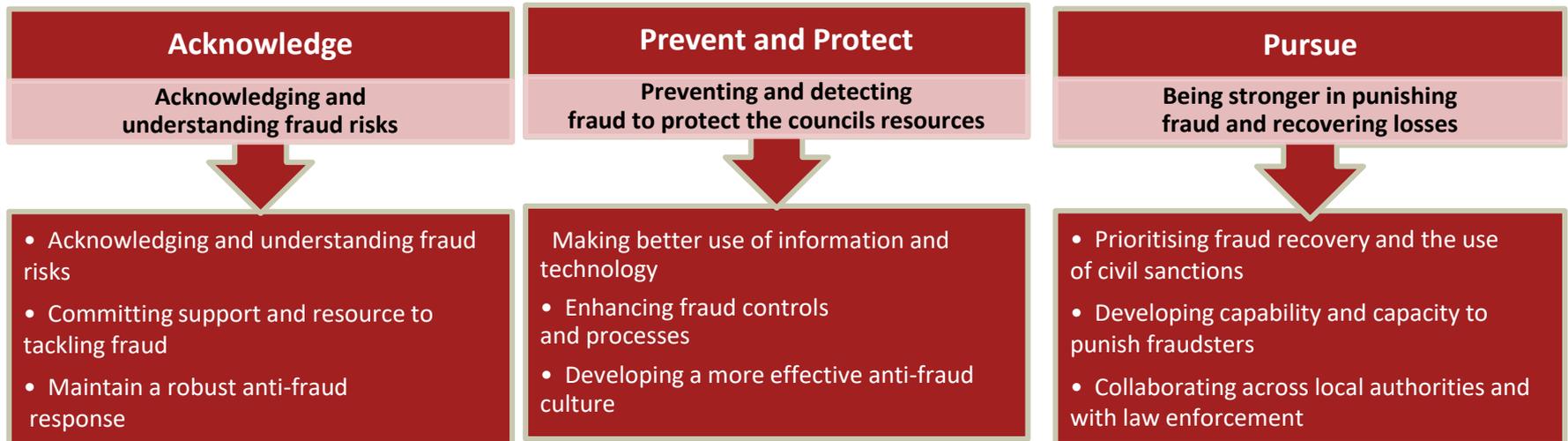
The team is structured so as to support the following work streams:- **Corporate Fraud** (which includes Staff Fraud as well attacks on the public purse from external sources), **Concessionary Travel Fraud** (which includes Application fraud, Blue Badge Fraud and Misuse as well as Freedom Pass Fraud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

We believe that CAFT continue to provide an efficient value for money counter fraud service and that is able to investigate all referrals or data matches to an appropriate outcome. CAFT also provide advice and support to every aspect of the organisation including its partners and contractors. This advice varies between fraud risk, prevention and detection, money laundering and other criminal activity as well as misconduct and misuse of public funds. Some of the matters will progress to criminal investigation and others will not, but in all cases appropriate actions, such as disciplinary or asset recovery are taken. It is this element of the work of CAFT that is hard to quantify statistically.

ANTI FRAUD STRATEGY AND APPROACH

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

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



ANTI FRAUD COMMUNICATIONS STRATEGY

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

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

- The **internal awareness campaign** and **face to face fraud risk awareness** sessions aim to increase fraud understanding between staff and their ability to detect fraud. In addition, it is important to emphasize their responsibility as council employees/partner employees regarding reporting fraud and abide with the new fraud policies. This will also include relaunching and a phased delivery of e-learning campaign.

- The **external campaign** will be targeted to residents across the council and will aim to increase awareness around fraud and the different ways they can report any concerns. Specific themes of communication around fraud risks will be promoted throughout the year.

Preventing and detecting fraud – It is well established that fraud awareness helps promote and strengthen an anti-fraud culture within an organisation. We will aim to ensure that through targeted communications clear messages will be communicated to all stakeholders that fraud is not acceptable and will not be tolerated. We hope that this will ensure that staff and residents are confident to report fraud incidents when they are aware of the consequences of fraud and when the organisation itself actively condemns fraud. This will result in a more effective way of preventing and detecting fraud.

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

In order to support the communications strategy we will devise a detailed targeted delivery plan for the year.

OVERALL SUMMARY – 2019/20

As summarised in the tables below Internal Audit and CAFT will deliver 1465 audit days and 2722 anti-fraud days in 2019-20. The number of audit days includes those to be recharged to Capita as appropriate for CSG and Re audits.

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

| Area | Days 2019/20 | Area | Days 2019/20 |
|---|-----------------|------------------------------------|-----------------|
| Director of Finance | 225 | Strategic Director for Environment | 80 |
| Deputy Chief Executive | 180 | Director of Assurance | 35 |
| Strategic Director for Adults, Communities & Health | 75 | Cross-Cutting | 240 |
| Director of Public Health | 15 | Follow-Ups | 150 |
| Strategic Director for Children & Young People | 165* | Contingency | 300 |
| Total Audit Days | | | 1465** |
| CAFT Days | | | 2722*** |
| Total combined Audit and CAFT Days | | | 4187 |

**Includes 100 days for schools audits*

*** Internal Audit days increased in 2019/20 due to a successful growth bid and the creation of two new posts.*

****CAFT days decreased in 2019/20 due to revised management structure. Resources (days) to be further reviewed in year dependent on reactive work levels and London Counter Fraud Hub project.*

OVERALL SUMMARY – 2018/19

Due to the changes in the Council's structure the 'areas' covered by the audit plan are different in 2019/20 compared to in previous years. The summary figures for 2018/19 are included below for reference, under the categories that were previously reflected in the plan.

| Area | Days 2018/19 |
|---|--------------|
| Cross-Cutting | 210 |
| Delivery Units * | 423 |
| Commissioning Group & Assurance Group | 252 |
| Management, Follow-up and Reporting | 200 |
| Contingency | 153 |
| Total Audit Days | 1238 |
| CAFT Days | 3080 |
| Total combined Audit and CAFT Days | 4318 |

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

DIRECTOR OF FINANCE

| Provisional Audit Title | Provisional timing |
|---|--------------------|
| Revenue Budget Setting and Monitoring (DEFERRED FROM 2018/19) | Q1 |
| Treasury Management (DEFERRED FROM 2018/19) | Q1 |
| Cash & Bank (DEFERRED FROM 2018/19) | Q1 |
| Accounts Receivable | Q1 |
| Pensions Administration | Q1 |
| Capital Budget Monitoring | Q2 |
| General Ledger | Q2 |
| Non-Schools Payroll | Q2 |
| Teachers Pensions | Q3 |
| Accounts Payable (JOINT IA & CAFT REVIEW) | Q3 |

DIRECTOR OF FINANCE

| Provisional Audit Title | Provisional timing |
|---|--------------------|
| MTFS Assurance Process | Q2 |
| Integra Issue Management (DEFERRED FROM 2018/19) | Q3 |
| Revenues & Benefits – 3 year cyclical audit programme • Housing Benefits Note: Council Tax and NNDR to be reviewed in years 2 and 3 unless new risks or concerns arise over those areas during the year | Q3 |

DEPUTY CHIEF EXECUTIVE – HR, IT AND ESTATES

| Provisional Audit Title | Provisional timing |
|--|--------------------|
| Data Management Procedures (IT Governance) | Q1 |
| HR Processes (post insourcing) | Q2 |
| Schools Payroll (Carlisle) | Q2 |
| Non-Schools Payroll (Belfast) | Q2 |
| IT - Cost Infrastructure | Q2 |
| Follow up of IT Strategy audit | Q3 |
| Estates – Project Management | Q3 |

DEPUTY CHIEF EXECUTIVE – REGENERATION, GROWTH AND HOUSING

| Provisional Audit Title | Provisional timing |
|--|--------------------|
| Brent Cross Cricklewood - Regeneration - Financial Controls | Q1 |
| Private Treaty Agreements (PTAs) – Follow-up of 2018/19 review | Q1 |
| Land Charges – Data Quality | Q2 |
| Brent Cross (placeholder) | Q3 |
| Barnet Group Assurance Mapping Including review of Barnet Group Internal Audit plan and reports Plus contingency for 1 review, pending finalisation of Mazars 2019/20 plan | Q1 – Q4 |

STRATEGIC DIRECTOR FOR ADULTS, COMMUNITIES & HEALTH

| Provisional Audit Title | Provisional timing |
|---|--------------------|
| Better Care Fund Finalisation of audit and fraud protocol with the Clinical Commissioning Group (Deferred from 2018/19) (JOINT IA & CAFT REVIEW) | Q1 |
| Mosaic application review | Q2 |
| Adults restructure - Strategic risk around Safeguarding | Q2 |
| Integrated Commissioning for Better Outcomes | Q3 |

DIRECTOR OF PUBLIC HEALTH

| Provisional Audit Title | Provisional timing |
|--|--------------------|
| Public Health Grant – follow-up review (JOINT IA & CAFT REVIEW) | Q3 |

STRATEGIC DIRECTOR FOR CHILDREN & YOUNG PEOPLE

| Provisional Audit Title | Provisional timing |
|--|---------------------|
| Family Services Financial Management | Q1 |
| Troubled Families - Payment by Results | Rolling submissions |
| Cambridge Education Assurance Mapping Including review of CE Internal Audit plan and reports | Q2 |
| Individual audits of schools <i>Auditing of schools and Pupil Referral Units in accordance with risk cycle to ensure compliance with the financial regulations and to provide assurance over other key risks.</i> | Q1 - Q4 |

STRATEGIC DIRECTOR FOR ENVIRONMENT

| Provisional Audit Title | Provisional timing |
|--|--------------------|
| Parking – PCN Cancellations (DEFERRED FROM 2018/19) | Q1 |
| Highways Health & Safety (DEFERRED FROM 2018/19) | Q2 |
| Waste Health & Safety | Q2 |
| Local Transport Capital Funding grant | Q2 |
| Local Authority Bus Subsidy grant | |
| Trade Waste Invoicing | Q3 |

DIRECTOR OF ASSURANCE

| Provisional Audit Title | Provisional timing |
|--|--------------------|
| Geographic Information Services (GIS) – Advisory review | Q1 |
| Regulation of Investigatory Powers Act (RIPA) – follow-up of action plan (TBC) | Q2 |
| Local Counter Fraud Hub – review of effectiveness (TBC) | Q4 |

CROSS-CUTTING REVIEWS 1

| Provisional Audit Title | Provisional timing |
|---|--------------------|
| Domestic Violence (DEFERRED FROM 2018/19) | Q1 |
| Theme Committee Priorities – Benefits Management | Q1 |
| Decision making framework – compliance (DEFERRED FROM 2018/19) | Q1 |
| Brexit preparedness / response deep dives | Q2 and Q4 |
| Transformation – Barnet 2024 | Q2 |
| Procurement – compliance with Contract Procedure Rules (CPRs) | Q2 |
| Conduct Standards – compliance (DEFERRED FROM 2018/19) (JOINT IA & CAFT REVIEW) | Q2 |

CROSS-CUTTING REVIEWS 2

| Provisional Audit Title | Provisional timing |
|---|--------------------|
| General Data Protection Requirements (GDPR) compliance | Q3 |
| Performance Management Framework compliance | Q3 |
| Risk Management Framework | Q4 |
| Various grant claims requiring Internal Audit input e.g. | Various |

CAFT WORK STREAMS

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

| Description of work |
|---|
| <p>Corporate Fraud</p> <p>To investigate all suspected frauds committed against the Council and effectively pursue fraudsters, by risk assessing and reacting accordingly to all instances of internal and external fraud, corruption or bribery. This work will cover all council services and subsidiary holdings such as Barnet Group. We continue to offer advice and assistance to colleagues and other services, on particular issues and/or fraud awareness. This covers staff fraud investigations (including where appropriate working closely with HR to support disciplinary offences) and also external fraud attacks on council services and finances.</p> <p>Internal Audit and CAFT are committed to the managed audit approach, which is demonstrated through the number of joint Audit and Fraud reviews listed throughout the workplan. Additionally, any suspected or significant controls weaknesses or fraud risks that are identified throughout the year (and/or as a result of a fraud investigation) are added to the plan as a joint review.</p> |
| <p>Tenancy Fraud</p> <p>To effectively deal with the prevention, detection, deterrence and investigation (and prosecution where appropriate) of all aspects of Tenancy Fraud (application, sub letting, not resident, succession and right to buy fraud) including maximising the recovery of properties where Tenancy Fraud is proven with a target of at least 60 recovered properties set for 2019/20.</p> <p>We will deliver at least four intelligence led pro-active anti fraud drives as well as work to support Barnet Homes exercises throughout the year with the aim to tackle tenancy fraud issues in our borough.</p> |
| <p>Concessionary Travel Fraud</p> <p>To investigate all suspected frauds relating to Concessionary Travel including, Blue Badge misuse, Freedom pass fraud, Resident Parking and all frauds relating to applications for these concessions which are committed against the Council and effectively pursue the fraudsters.</p> <p>We will deliver at up to Eight intelligence led joint (with the Met Police and NSL parking) street operations as well as other on-going intelligence led pro- active work to tackle Blue Badge Misuse / Fraud in our Borough.</p> |

CAFT WORK STREAMS

Description of review

Financial Investigations

To initiate Financial investigations under the Proceeds of Crime Act in relation to all frauds (where appropriate) to ensure that any person's subject to a criminal investigation by Barnet do not profit from their criminal action. We will also continue to provide this service to other local authorities on a commercial basis.

Cabinet Office - National Fraud Initiative (NFI)

The NFI is a national public sector data matching exercise.

Data uploads are due to take place in October 2018 and matches are due to be received in January 2019 for review, risk assessment and/or investigation. These will form part of this years and next years proactive work program and be used to assist in focusing joint work with Audit.

CAFT will co-ordinate this exercise for the Council and investigate related referrals. Data sets include areas such as Disabled Blue Badge, Parking Permits, Direct Payments, Procurement data, Pensions and Payroll as well as data from Barnet Homes.

Direct Payments

This is an area that has been highlighted nationally as having a high risk element for local authorities.

CAFT will co-ordinate a data matching exercise to confirm that Direct Payments are being made to the correct recipients and also that payments do not continue to be paid after the requirement has ceased.

London Counter Fraud Hub (TBC)

The London Counter Fraud Hub, which is managed by CIPFA, is a counter fraud service, which has been developed to supply a counter fraud data analytics service to London local authorities in relation to Council Tax, Business Rates and Council Tenancies.

A report on the LCFH will be taken to Policy and Resources Committee this year 19/20, if a decision is made for Barnet to join the hub then the Tenancy Fraud Element of this project will be led by CAFT. It is envisaged that this would enhance the work already ongoing in relation to Tenancy Fraud

PERFORMANCE INDICATORS – INTERNAL AUDIT

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

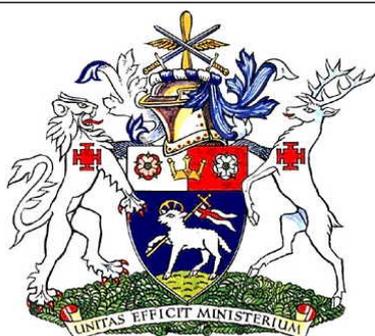
| Performance Indicator | Target | Reporting frequency |
|--|---|------------------------------|
| % of Plan delivered | Based on 95% complete of those due in quarter | Quarterly |
| Verification that at least 90% of Critical and High Risks have been mitigated by management at the time of follow up | 90% | Quarterly |
| % of reports year to date achieving: <ul style="list-style-type: none">• Substantial• Reasonable• Limited• No Assurance | N/A | Quarterly |
| Average customer satisfaction score for year to meet or exceed acceptable level for at least 85% of completed surveys | 85% | Exception basis - if not met |

PERFORMANCE INDICATORS – CAFT

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

| Corporate Investigation Team | Concessionary Travel Fraud Team | Tenancy Fraud Team |
|---|--|--|
| Number of Fraud investigations (opened and closed) including summary breakdown of service area and Fraud type. | Number of Disabled Blue Badge Fraud investigations (opened and closed) including summary breakdown fraud type | Number of Tenancy Fraud investigations (opened and closed) including summary breakdown by fraud type |
| Number of Prosecutions or other Sanction for each category. | Number of Prosecutions or other Sanction for each category. | Number of Prosecutions or other Sanction for each category |
| Number of Dismissals / staff no longer employed as a result of CAFT intervention. | Number of Blue Badges seized as a result of misuse, lost, stolen, forged, counterfeits being identified | Number of Properties recovered as well as the Number of Right to Buy, Housing and Joint tenancy applications denied as a result of CAFT intervention. |
| Financial Investigations Team | | |
| Number of Financial investigations (under Proceeds of Crime Act) opened and closed including summary breakdown of service area as well as the amounts recovered. | | |
| Other information reported as per Policy requirements | | |
| Whistleblowing referrals - number received (and summary detailed provided on closed cases where appropriate). | Number of Surveillance requests / authorisations in accordance with the Regulation of Investigatory Powers Act (RIPA) 2000 (and summary detailed provided on concluded investigations if proven). | |

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Audit Committee

1st May 2019

| | |
|--------------------------------|--|
| Title | Audit Progress Report |
| Report of | Director of Finance |
| Wards | All |
| Status | Public |
| Urgent | No |
| Key | No |
| Enclosures | Appendix A – Audit Progress Report |
| Officer Contact Details | Paul Clarke – Deputy Director of Finance Paul.clarke@barnet.gov.uk |

Summary

Public Sector Appointments Ltd (PSAA) appointed BDO as the Council's External Auditor. Their responsibilities under this contract include the audit of the Council's financial statements and a review of the Authority's arrangements made to secure value for money. In addition to this contract, the Council has commissioned certification of a small number of returns which it must make to Central Government and the Teachers Pension scheme. This report provides an update from the External Auditor on progress against the audit plan.

Recommendations

1. That Members Note BDO's update report
2. That the Committee consider whether there are any areas on which they require additional information.

1. WHY THIS REPORT IS NEEDED

- 1.1 BDO's Audit Progress Update reports on key aspects of the External Audit of the Council and therefore it is appropriate for Members to be made aware of their scope, progress and findings.

2. REASONS FOR RECOMMENDATIONS

- 2.1 In order that the Council can receive a progress update from the External Auditor as part of the 2018/19 audit process and be able to consider if they require any additional information.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 None

5. IMPLICATIONS OF DECISION

5.1.1 Corporate Priorities and Performance

- 5.1.2 The External Audit addresses fundamental aspects of the Council's management arrangements which support the Council's corporate priorities as expressed through the Corporate Plan.

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

- 5.2.1 The PSAA led national tender resulted in a reduced planned core audit fee of £130,919 for 2018/19. (2017/18 was £170,025 plus cost overruns of £27,237, therefore totalling £197,262).
- 5.2.2 In addition to the Core Fee, BDO also perform grant and returns certification for the Council, for which the planned fee for 2018/19 is £26,750.
- 5.2.3 As part of the certification of the Council's accounts, the Auditors must also consider objections to the accounts received from local electors. The costs to the Council for BDO investigating two of the six objections has been confirmed as £11,115 plus Council officer time.

5.3 Social Value

- 5.3.1 None in the context of this report.

5.4 Legal and Constitutional References

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

5.4.2 In accordance with the Constitution the Audit Committee is 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.

5.5 Risk Management

5.5.1 The External Audit is part of the Councils strategic risk management arrangements. Any issues raised during the process will be considered by management and by the Audit Committee and appropriate actions or mitigations will be put in place. The consequences of not properly dealing with issues raised could result in a qualified audit opinion on the financial statements or a qualified value for money opinion

5.6 Equalities and Diversity

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

5.7 Corporate Parenting

5.7.1 None in the context of this report.

5.8 Consultation and Engagement

5.8.1 There are no consultations or engagements relevant to this report

5.9 Insight

5.9.1 None in the context of this report.

6. BACKGROUND PAPERS

6.1 External Audit Plan 2018/19 – Audit Committee 31st January 2019.
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&MId=9495&Ver=4>

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LONDON BOROUGH OF BARNET COUNCIL

Audit Progress Report to Audit Committee

16 April 2019



INTRODUCTION

Background

This report provides the Audit Committee with an outline of our proposed work and progress to date for 2018/19.

Audit of the financial statements

- to be satisfied that the accounts present a true and fair view
- to be satisfied that proper practices have been observed in the preparation of the accounts

Value for money arrangements

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

Reporting

- issue an audit plan that sets out how we intend to carry out our duties
- report the findings of the audit to those charged with governance
- to express an opinion on the accounts
- express a conclusion on the Council’s arrangements to secure economy, efficiency and effectiveness in the use of resources
- to certify the completion of the audit
- issue an annual audit letter highlighting the results of the auditor’s work.

Certification and returns

- issue a report on findings in terms of procedures agreed upon with the Council and DWP in connection with Housing Benefits Assurance Process certification
- issue a report on findings in terms of procedures agreed upon with the Council and Teachers Pension in connection with Teachers’ Pensions EOYC return
- issue a report on findings in terms of procedures agreed upon with the Council and MHCLG in with the connection with pooling of housing capital receipts return.

Objections and questions

- To investigate objections raised by members and the public.

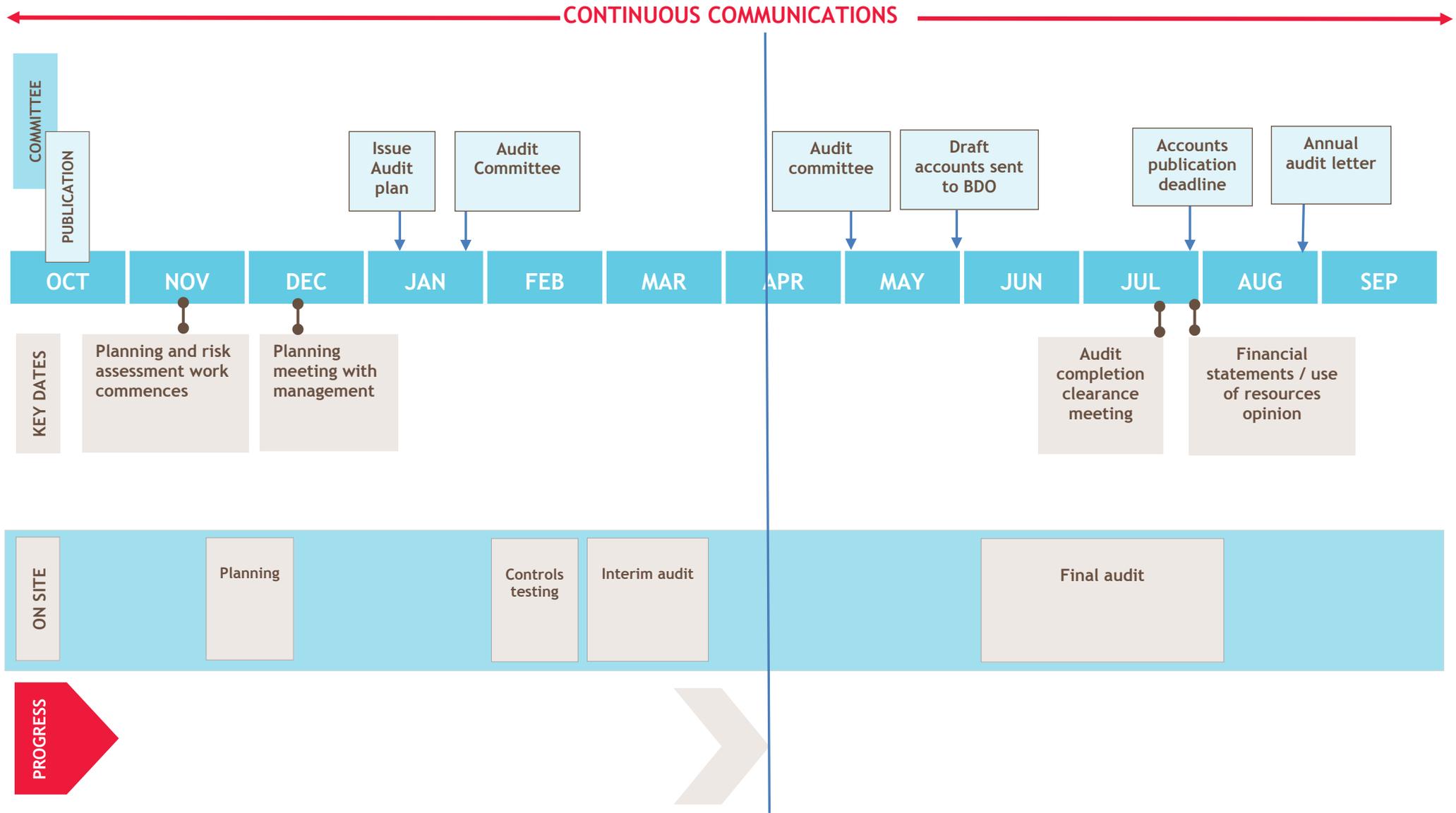
Progress to date

We have assessed whether the arrangements put in place by the Council will allow us to complete our work by the expected deadlines and whether there are any issues that are likely to have a significant impact on our ability to provide unmodified audit reports and opinions.

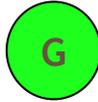
This is included as a ‘RAG’ assessment in the report:

| ASSESSMENT | | EXPLANATION |
|------------|---|---|
| RED |  | Unlikely to be able to meet reporting deadlines, significant concerns over governance or finance, or expected modification of audit report or opinion. |
| AMBER |  | Some concerns around meeting reporting deadlines, some concerns over governance or finance, or potential risk of modification of audit report or opinion. |
| GREEN |  | On target to meet deadlines and no current concerns over governance or finance. |
| | TBC | Work not yet started or sufficiently progressed to include a ‘RAG’ assessment |

AUDIT PROGRESS 2018/19



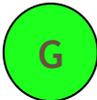
CODE AUDIT 2018/19

| AUDIT AREA | SCOPE | PROGRESS | REPORTS / OUTPUTS | ASSESSMENT |
|--|---|---|---|---|
| FINANCIAL STATEMENTS | | | | |
| Controls testing | Audit of the significant financial systems that support the financial statements. | We have reviewed and tested the design and implementation of key internal controls as well as the operating effectiveness of these controls, where necessary. We have not identified any significant control weakness. | Audit Completion Report To be issued in July. |  |
| Financial statements audit | Audit of the financial statements to determine whether these give a true and fair view. | We have undertaken nine months of financial transactions testing to December 2018. Our audit work identified a small number of potential grossing up of income and expenditure amounts where the Council acted as agent, and we have reported errors in the presentation of similar transactions in recent years. These issues are under consideration by the Council and will be finalised during our final visit in June. | Audit Completion Report To be issued in July. |  |
| USE OF RESOURCES | | | | |
| Review of arrangements to secure economy, efficiency and effectiveness | To be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. <i>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.</i> | We have completed our initial reviews of the Council's arrangements as part of our initial planning to inform our risk assessment process. Following an inspection July 2017, Ofsted assessed the Council's Children's services as inadequate. Regular monitoring reviews (latest reported 11 March) shows steady improvements being made. However, Ofsted has yet to carry a full inspection to update the overall rating. A refresh of financial sustainability will be undertaken during June 2019 following the financial outturn and MTFS updates. | Audit Completion Report To be issued in July. |  |

CODE AUDIT 2018/19

| AUDIT AREA | SCOPE | PROGRESS | REPORTS / OUTPUTS | ASSESSMENT |
|---------------------|---|---|---|------------|
| REPORTING | | | | |
| Audit certificate | Certify the completion of the audit at the point that the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged. | To be issued on completion of the audit of the financial statements and review of the arrangements to secure economy, efficiency and effectiveness. | N/A | TBC |
| Annual audit letter | Public-facing summary of audit work and key conclusions for the year. | Annual audit letter to be drafted upon completion of audit work. | Annual Audit Letter To be issued in August. | TBC |

CERTIFICATION AND RETURNS 2018/19

| RETURN | SCOPE | PROGRESS | REPORTS / OUTPUTS | ASSESSMENT |
|--|--|---|---|---|
| Housing Benefits Assurance Process certification | To complete the DWP revised Agreed upon Procedures work | <p>We have commenced with our detailed testing of housing benefits cases. This will also support both the housing benefits expenditure and grants subsidy reported in the accounts. We have completed 34 cases out of the 60 initial cases required for HBAP certification. We have identified the following issues to date:</p> <ul style="list-style-type: none"> • x1 rent allowance case where benefit was underpaid as a result of wrong LHA rate used to calculate benefit entitlement • x1 non-HRA case where expenditure was misclassified between cells 014, 015 and 023 • x1 non-HRA case where overpayment was misclassified between technical and eligible overpayment • x1 non-HRA case where the full amount of eligible overpayment was not recorded in the overpayment cell. <p>These errors will require additional 40+testing in August and the full impact on HB subsidy will be assessed.</p> | <p>Report to DWP</p> <p>Work to be completed and reported in November.</p> |  |
| Teachers' Pension return | Report of factual findings in connection with the connection with Teachers' Pensions EOYC return | Detailed testing of teachers' pension EOYC return to commence in August. | Work to be completed and reported August. | TBC |
| Pooling housing return | Report of factual findings in connection with the Pooling of Housing Capital Receipts. | Detailed testing of pooling of housing capital receipts to commence in August. | Work to be completed and reported in August. | TBC |

OBJECTIONS UPDATE

| OBJECTION | PROGRESS | EXERCISE OF LEGAL POWERS |
|--|---|--------------------------|
| PCNs issued on housing land (2015/16) | In progress | |
| Sale of Victoria Lodge (2015/16) | In progress | |
| PCN accrued income (2015/16, 2016/17 and 2017/18) | Statement of Reasons issued No evidence of unlawful income. We have provided a schedule of costs to the Council totalling £4,446 based on 26 hours spent dealing with this objection at PSAA grade fees. | No action taken |
| Lenders Option Borrowers Option (LOBO) loans (2016/17) | Statement of Reasons issued Decision to take LOBOs borrowing was not unreasonable. We have provided a schedule of costs to the Council totalling £6,669 based on 39 hours spent dealing with this objection at PSAA grade fees. | No action taken |
| Gainshare payments (2016/17 and 2017/18) | Draft Statement of Reasons issued | |
| Parking enforcement contract extension (2017/18) | In progress | |



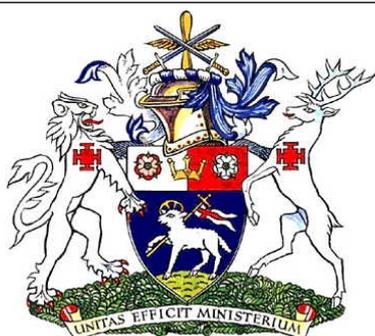
The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without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

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Audit Committee

1st May 2019

| | |
|--------------------------------|--|
| Title | Certification of Grant Claims |
| Report of | Director of Finance |
| Wards | All |
| Status | Public |
| Urgent | No |
| Key | No |
| Enclosures | Appendix A – BDO Grant Certification Report |
| Officer Contact Details | Paul Clarke – Deputy Director of Finance Paul.clarke@barnet.gov.uk |

Summary

Public Sector Appointments Ltd (PSAA) appointed BDO as the Council's External Auditor. Their responsibilities under this contract include the Certification of the Council's Housing Benefit Subsidy Claim. In addition to this, the Council has also engaged BDO to Certify two other Returns, over and above what is provided for in the PSAA Contract – for which a separate fee is charged. This report informs Members of the findings of BDO's Grant Certification work for three Grant Returns for Financial Year 2017-18

Recommendations

1. That Members Note the BDO's findings and recommendations
2. That the Committee consider whether there are any areas on which they require additional information.

1. WHY THIS REPORT IS NEEDED

- 1.1 On behalf of Central Government, the Council is responsible for the assessment and payment of Housing Benefit Claims. The Council obtains reimbursement from Central Government for the value of claims paid by submitting a Return – which is subject to External Audit Certification.
- 1.2 The Council is required to pay a portion of its Housing Capital Receipts over to Central Government. The Council makes official returns to Central Government setting out the volume and value of these receipts and the amounts it has used to provide new Council Housing. The final (year-end) Return to Central Government is subject to External Audit Certification.
- 1.3 Local Authorities that employ teachers are required to deduct pension contributions and send them, along with employer contributions, to the Teachers' Pension Agency (TPA) – who administer the Teacher's Pension Scheme. The Council summaries the contributions paid over to the TPA in an Annual Return – which is subject to External Audit Certification.
- 1.4 BDO's Grant Report addresses key aspects of the Council's business operations, therefore it is appropriate for Members to be made aware of their findings and recommendations.

2. REASONS FOR RECOMMENDATIONS

- 2.1 In order that the Council can consider the Auditor's Grant Certification Report, be able to comment on its findings and recommendations and consider if they require any additional information.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 None

5. IMPLICATIONS OF DECISION

5.1.1 Corporate Priorities and Performance

- 5.1.2 The Grant Claims and Returns Certification Work Report addresses fundamental aspects of the Council's management arrangements which support the Council's corporate priorities as expressed through the Corporate Plan.

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

- 5.2.1 For two of the three areas the actual fee is higher than the planned fee as BDO had to spend additional time to complete their review findings. The extra charge

was £4,750. However, this needs to be considered within the context of the value of the claims which amounted to £299m. As a result of nationally negotiated external audit rates, the cost of External Audit (including these elements) remains within budget.

5.3 Social Value

5.3.1 None in the context of this report.

5.4 Legal and Constitutional References

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

5.4.2 In accordance with the Constitution the Audit Committee is 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.

5.5 Risk Management

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

5.6 Equalities and Diversity

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

5.7 Corporate Parenting

5.7.1 None in the context of this report.

5.8 Consultation and Engagement

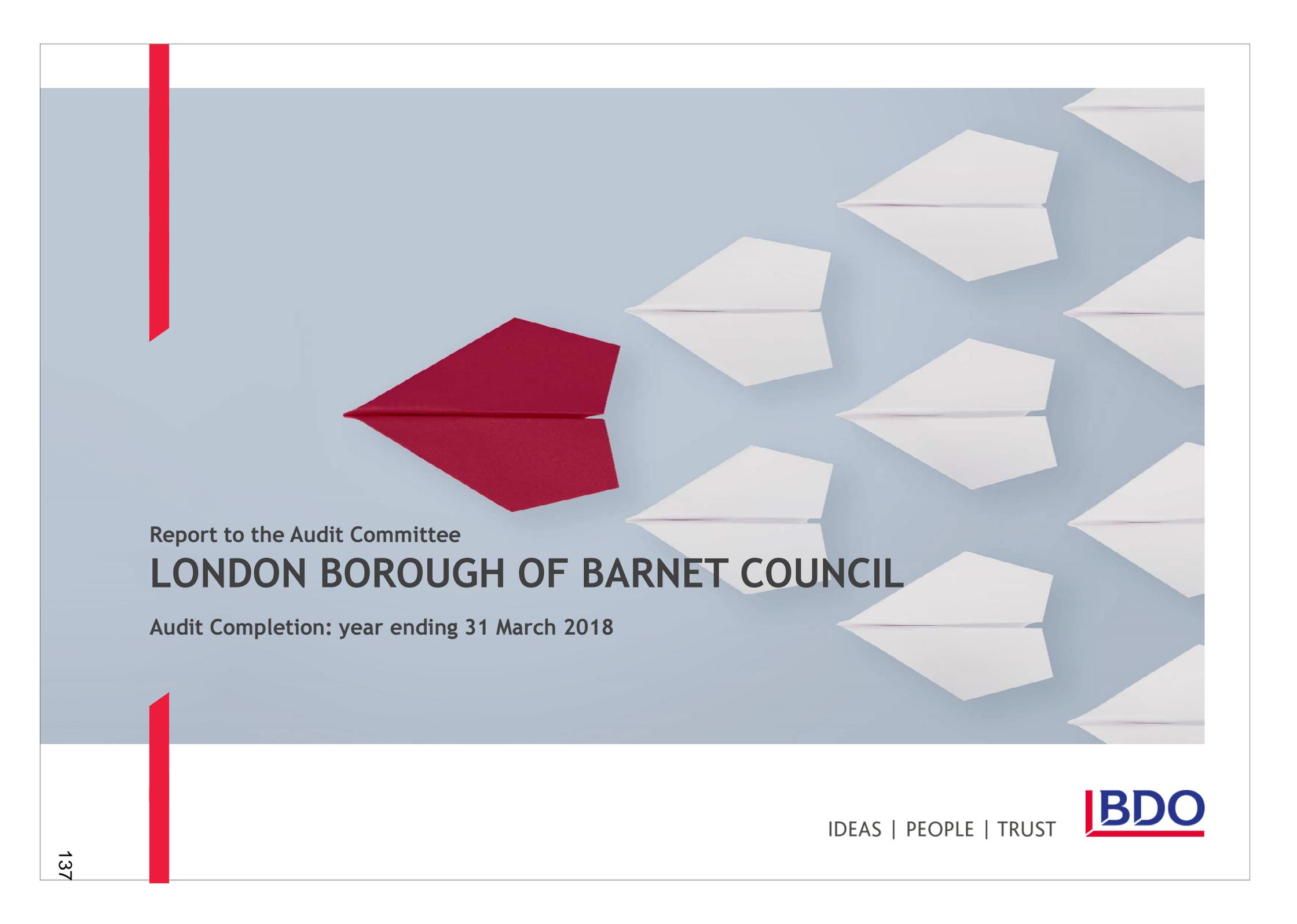
5.8.1 There are no consultations or engagements relevant to this report

5.9 Insight

5.9.1 None in the context of this report.

6. BACKGROUND PAPERS

6.1 None.



Report to the Audit Committee

LONDON BOROUGH OF BARNET COUNCIL

Audit Completion: year ending 31 March 2018

IDEAS | PEOPLE | TRUST



INTRODUCTION

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2018.

Public Sector Audit Appointments Ltd (PSAA) regime

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

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

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

Other certification work

A number of other grant claims and returns are not within the scope of our appointment by PSAA, but Departments may still seek external assurance over the accuracy of the claim or return. These assurance reviews are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has engaged us to carry out the following for the year ended 31 March 2018:

- ‘Agreed-upon procedures’, based on the instructions and guidance provided by the Ministry of Housing, Communities and Local Government (MHCLG), of the Pooling of housing capital receipts return
- ‘Agreed-upon procedures’, based on the instructions and guidance provided by the Department for Education, of the Teachers’ pensions return.

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



Leigh Lloyd-Thomas
23 April 2019

The contents of this report relate only to those matters which came to our attention during the conduct of our agreed procedures which are designed primarily for the purpose of expressing a conclusion or reporting the results of our work on the grants and returns subject to certification. This report has been prepared solely for the use of the Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

This table shows the details of each grant claim and return subject to certification by us for the financial year ended 31 March 2018.

Where our work identified issues which resulted in either an amendment and / or a qualification or reported exception, further information is provided on the following pages.

An action plan and follow up of recommendations from previous years is included in the Appendix of this report.

| Claim or return | Value of return | Qualification / exceptions | Amended | Submission date | Impact of amendments |
|-------------------------------------|-----------------|----------------------------|---------|-------------------|--|
| Housing benefit subsidy | £272,753,708 | Yes | Yes | 30 Nov 2018 | Increased subsidy claimed +£417,745 <i>May be subject to further adjustment by DWP as a result of extrapolated errors and request for further work</i> |
| Pooling of housing capital receipts | £7,933,441 | Yes | No | 8 March 2019 | No amendments <i>Subject to clarification from MHCLG over the appropriateness of transferring £5.118m of 1-4-1 retained receipts to The Open Door Limited</i> |
| Teachers pensions | £18,865,613 | Yes | Yes | Not yet submitted | Increase contributions payable +£3,000 <i>May be subject to further enquiries by DfE due to exceptions reported</i> |



FEES

Executive summary

The fees for this work are shown below:

| Claim or return | 2016/17 Actual fee | 2017/18 Planned fee | 2017/18 Actual fee | Explanation for fee amendments |
|--|-----------------------|------------------------|-----------------------|--|
| Housing benefit subsidy (fee set by PSAA) | £20,310 | £21,617 | £21,617 | Additional work requested by the Council and approved by DWP to respond to issues regarding rent officer determinations is not part of this PSAA fee. We will finalise this additional fee upon completion of this work. |
| Pooling of housing capital receipts | £2,750 | £2,750 | £4,771 | Additional resources required to investigate use of 1-4-1 receipts through The Open Door Limited |
| Teachers pensions | £5,000 | £5,000 | TBC | Additional resources required due to difficulties agreeing supporting school payroll reports and significant variances between expected and actual pension contributions |



HOUSING BENEFITS SUBSIDY

Scheme requirements

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

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

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £272,335,963.

The final return was amended to £272,753,708.

Findings

Our audit of 60 individual claimant files highlighted a number of errors the Council made in administering benefit and calculating subsidy entitlement.

The guidance requires that auditors undertake extended testing of 40 additional cases with similar characteristics ('40+ testing') if initial testing identified errors in the benefit entitlement calculation or in the classification of expenditure. Such testing is also undertaken as part of our follow-up of prior year issues reported. The results of this testing is extrapolated across the population to estimate a potential error amount. Where the error can be isolated to a small population, the whole population can be tested and the claim form amended if appropriate. Where there is no impact on the subsidy claim, for example where the error always results in an underpayment of benefit, we are required to report this as an observation in our qualification letter.

This resulted in 6 areas of 40+ testing (non-HRA eligible overpayments, rent rebates childcare disregards, rent rebate tax credits, rent allowances rent officer determinations, non-HRA bedroom rate and non-HRA rent liability) and 2 areas of additional or 100% testing (rent rebate extended payments and non-HRA prior year eligible and technical overpayments).

A summary of our findings can be found on the following pages.

The final claim was amended to increase subsidy by £417,745 to £272,753,708.

However, the potential impact resulting from the extrapolated errors, if DWP was minded to finalise the subsidy based on these findings, would reduce subsidy by £561,860 (increase subsidy for non-HRA rent eligible overpayments +£26,495 and decrease subsidy for rent allowances rent officer determinations -£588,355).

Our work was completed and the claim was certified on the deadline of 30 November 2018.

DWP subsequently wrote to the Council on 28 March 2019 and agreed to additional work to be undertaken on rent officer determinations. Further information is included in the relevant section below.

HOUSING BENEFITS SUBSIDY

Rent rebates: Subsidy limitation restrictions

Reporting matter

Adjusted

Unadjusted error

Errors

The draft claim form incorrectly calculated 'average weekly rent for affordable housing' at £110.53 and this exceeded the permitted weekly rent limit of £108.99. As a result, this capped the rent rebate subsidy at 98.61% of subsidy claimed.

Management identified this error and corrected the average weekly rent for affordable housing to £103.50 and this removed the subsidy limitation restriction on rent rebate subsidy.

Additional testing

No additional testing was required.

Impact

This adjustment increased subsidy claimed by £411,426 by removing the limitation restriction on the percentage of rent rebates that could be recovered through subsidy.

HOUSING BENEFITS SUBSIDY

| | |
|--------------------------------------|--|
| Uncashed cheques written back | |
| Reporting matter | |
| Adjusted | |
| Unadjusted error | |

Errors

The draft claim had miskeyed the total for uncashed cheques written back for benefit awarded (and claimed through subsidy) in the previous year.
The amount entered as £6,255 was corrected and reduced to by £30 to £6,225.

Additional testing

No additional testing was required.

Impact

This adjustment increased subsidy claimed by £30.

HOUSING BENEFITS SUBSIDY

Non-HRA rent rebates: Self-employed earnings

Reporting matter

Adjusted

Unadjusted error

Errors

In 2016/17 our testing identified 2 cases where self-employed earned income had been incorrectly applied in benefit calculations.

This year, the Council performed a 100% check of non-HRA rent rebates cases where the claimant had self-employed earnings before the final subsidy report was prepared. This found that 5 cases had incorrectly applied earnings amounts in benefit calculations. Each was corrected in year and therefore subsidy claimed was corrected in the draft claim form.

Our initial sample testing this year not find any errors on self-employed earnings calculations.

Additional testing

Our testing of the Council's review of these cases did not identify any further errors.

Impact

No impact on subsidy claimed.

As there continue to be errors in self-employed earnings calculations at the time of the benefit assessment, the Council will be expected to undertake a similar 100% check in 2018/19, otherwise 40+ testing will be required in 2018/19.

HOUSING BENEFITS SUBSIDY

Non-HRA rent rebates: Misclassification of eligible overpayments

Reporting matter

Adjusted

Unadjusted error

Errors

In 2016/17 our testing identified 6 cases where the Council misclassified an overpayment as an eligible overpayment when it should have been classified as a technical overpayment.

Our initial sample testing this year not find any errors on eligible overpayments for 3 cases that included eligible overpayments.

Additional testing

Due to the errors in the previous year, we were required to undertake 40+ testing to determine whether this issue had continued in 2017/18.

Our testing identified 2 cases where the overpayment had been incorrectly calculated and was overstated as there was a period of valid entitlement totalling £786.

Impact

Based on our extrapolation of the two overpayment errors identified that should be excluded from overpayments, we estimated that the Council overstated the amount of eligible overpayments by £44,158 (9.4% error rate on population of £469,764).

If DWP decide to adjust for the extrapolated error reported, this would increase the subsidy receivable by £26,495 as the £44,158 would attract subsidy at full rate rather than the eligible overpayment rate at 40% of benefit paid.

HOUSING BENEFITS SUBSIDY

Rent rebates: Childcare disregards

| | |
|------------------|--|
| Reporting matter | |
| Adjusted | |
| Unadjusted error | |

Errors

In 2016/17 our testing identified 12 cases where childcare disregards had been incorrectly applied in benefit calculations.

Our initial sample testing this year did not include any cases with childcare disregards.

Additional testing

Due to the errors in the previous year, we were required to undertake 40+ testing to determine whether this issue had continued in 2017/18.

Our testing identified that childcare disregards had been incorrectly applied in benefit calculations in 6 cases resulting in benefit being underpaid in 3 cases totalling £82, overpaid in 2 cases totalling £42, and 1 case where it had no effect on the benefit paid.

Impact

Based on our extrapolation of the two childcare disregards overpayment errors identified, we estimated the Council overpaid benefits by £1,645 (0.3% error rate on population of £548,244).

If DWP decide to adjust for the extrapolated error reported, this would decrease the subsidy receivable by £1,645 as local authority error does not attract benefit subsidy.

However, DWP does provide an allowance within the subsidy system to recover local authority errors and as the Council is below the threshold, it would be able to recover this amount through this subsidy allowance.

Therefore, it would not impact on overall subsidy claimed.

HOUSING BENEFITS SUBSIDY

Rent rebates: Tax credits

Errors

In 2016/17 our testing identified 2 cases where tax credits had been incorrectly applied in benefit calculations.

Our initial sample testing this year not find any errors on tax credits.

Additional testing

Due to the errors in the previous year, we were required to undertake 40+ testing to determine whether this issue had continued in 2017/18.

No errors were identified.

Impact

No impact on subsidy and this can be removed from mandatory 40+ testing in 2018/19.

Reporting matter

Adjusted

Unadjusted error

HOUSING BENEFITS SUBSIDY

Rent rebates: Extended payments

Reporting matter

Adjusted

Unadjusted error

Errors

In 2016/17 our testing identified 1 case where an eligible overpayment had been incorrectly classified as an extended payment.

Our initial sample testing this year did not include any cases with extended payments.

Additional testing

The Council undertook a 100% check of cases with amounts in both extended payments and overpayments.

This found errors totalling £117 that should not have been included in eligible overpayments where these related to extended payments.

Impact

The claim form has been adjusted resulting in increased subsidy of £70 as the £117 would attract subsidy at full rate rather than the eligible overpayment rate at 40% of benefit paid.

HOUSING BENEFITS SUBSIDY

Rent allowances: Rent officer determinations

| | |
|------------------|--|
| Reporting matter | |
| Adjusted | |
| Unadjusted error | |

Errors

Testing of our initial sample of 20 rent allowance cases identified 1 case totalling £6,500 where there is no current rent officer determination and no referral made by 30 April, but had been classified as if this was in place.

Local authorities are unable to claim subsidy on benefit paid where no valid rent officer determination was obtained for certain tenancies.

Additional testing

We undertook 40+ testing and identified an additional 5 cases where a rent officer determination of fair rents referral had not been made by 30 April, totalling £17,807.

Impact

Based on our extrapolation of the 6 cases with no valid rent officer determination, we estimated that the Council has claimed subsidy on £1,288,395 of benefits paid where there is no current rent officer determination in place (12.1% error rate on population of £10,647,894). If DWP decide to adjust for the extrapolated error reported, this would decrease the subsidy receivable by £1,288,395.

In response to our findings, management undertook additional work to isolate the number of benefit cases potentially impacted by this. This suggests that some parameters in the reports used to identify cases requiring referrals were incomplete resulting in these cases not being referred. A full review found that £624,730 of benefit paid had not appeared on these reports for referral. Further management review found that some of these cases had been referred, leaving a remaining £588,355 of benefit for 78 cases that had not been referred.

The Council also found that for most of these cases a referral was last made to the rent officer in April 2016 but no response had been received. It was known at that time that there were issues with the rent officer's Victor software interface. These have all now been re-sent to the rent officer following this review.

The Council has also reviewed the rents paid on these tenancies and believes that the majority are below the Local Housing Allowance rates and any determination would approve these as fair rents. The Council has made representation to DWP that there should be no loss of subsidy as a result.

Using management's own findings we estimate that £588,355 of subsidy claimed may be at risk.

DWP request for further work

DWP responded on 28 March 2019 to the Council's request to undertake further work and isolate the impact on benefit paid for these 78 rent officer determination cases. The Council requested rent officer determinations for reasonable rents on 74 of these cases. 4 of these cases related to claims that ceased in 2017/18 and the Rent Officer would not ordinarily provide indicative rent decisions on these cases. Of the 74 determinations of reasonable rent now received, only 1 case was found to have applied a rent level in the assessment calculation that was above the reasonable rent level, creating an overpayment of £400 for the 2017/18 subsidy year.

Our sample testing of the work performed by the Council supports the conclusion that the public purse has overpaid benefit by £400, and that subsequent Rent Officer Determinations of reasonable rent provided by the Rent Officer supports the remaining amounts paid in 2017/18.

However, our testing found one case where there was no rent officer determination that was not captured by the report provided by the Council. We have asked the Council to undertake additional work to investigate this and amend the system parameters to ensure that all cases are captured and checked.

A further report has been obtained and found two additional cases (including the case referred to above). Management will obtain rent officer determinations on these cases to allow us to complete this work.

HOUSING BENEFITS SUBSIDY

Non-HRA rent rebates: Bedroom cap

Reporting matter

Adjusted

Unadjusted error

Errors

Testing of our initial sample of 20 non-HRA rent rebate cases identified 1 case where the incorrect bedroom cap rate was applied.

This resulted in benefit being misclassified and £5,649 being included as amounts paid above the cap threshold (attracting no subsidy) that should be shown as paid within the cap threshold (and attracting full subsidy).

Additional testing

40+ testing was carried out and this found no further errors.

Therefore, we accepted that this was an isolate error and did not need to extrapolate the potential error.

Impact

The claim form has been adjusted resulting in increased subsidy of £5,649 as benefit paid below the cap attract subsidy at full rate.

HOUSING BENEFITS SUBSIDY

Non-HRA rent rebates: Rent liability

Reporting matter

Adjusted

Unadjusted error

Errors

Testing of our initial sample of 20 non-HRA rent rebate cases identified 1 case where the weekly rent had been incorrectly entered in the benefit calculation, resulting in benefit being underpaid.

Additional testing

40+ testing was carried out and this found no further errors.

Therefore, we accepted that this was an isolate error and no adjustment was required as benefit was underpaid.

Impact

As there is no eligibility for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

HOUSING BENEFITS SUBSIDY

Non-HRA rent rebates: Misclassification of eligible overpayments (prior years)

Reporting matter

Adjusted

Unadjusted error

Errors

Testing of our initial sample of 20 non-HRA rent rebate cases identified 1 case where the Council duplicated an overpayment of £177 as a prior year eligible overpayment and a technical overpayment when it should have been classified as a technical overpayment only.

Additional testing

A '100% check' of prior year technical overpayments and eligible overpayments was carried out to identify any additional errors.

This identified the following misclassified overpayments:

- 2 further cases totalling £839 where the technical overpayment had also been incorrectly duplicated in eligible overpayments
- 1 case at £102 where the eligible overpayment should have been classified as technical overpayment.

Impact

The claim form has been amended for the errors identified.

The claim form has been adjusted resulting in increased subsidy of £569. £1,016 of duplicated overpayments have been removed from prior year eligible overpayments resulting in increased subsidy of £610 where the duplicate overpayments had reduced subsidy at 60%. £102 of overpayment have been reclassified from eligible to technical overpayment resulting in a decreased subsidy of £41 as technical overpayments do not attract subsidy.

POOLING OF HOUSING CAPITAL RECEIPTS

Scheme requirements

Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. A local authority may retain the receipts for use to provide new social housing subject to certain conditions.

The Council is required to submit quarterly returns notifying central government of the value of capital receipts received and amounts used to provide new social housing. The Council also certifies the final annual return.

The return provided for audit recorded total receipts from 37 sales totalling £7,933,441, mortgage repayment receipts £45,632 and use of previous and current year receipts spent on new social housing of £34,921,734.

Use of 1-4-1 receipts for new social housing

Reporting matter

Adjusted

Unadjusted error

Findings

We agreed the reported receipts from disposals for a sample of 6 properties totalling £1,287,000 and reconciled the total number of disposals to the financial statements and asset records. For the 6 disposals tested we also agreed the calculation of the attributable debt allowance.

We agreed the mortgage principal repayments for a sample of 4 mortgages totalling £4,261.

We agreed the use of 1-4-1 receipts for new social housing for 7 developments totalling £2,447,372.

However, when reviewing the 1-4-1 receipts expenditure we found that £5.118m had been transferred to The Open Door Limited for it to develop new social housing. It is acceptable under this scheme to transfer receipts to other developers for new social housing, but the scheme requires that the local authority must not have control over that entity. We note that The Open Door Limited is a subsidiary of the Council through its ownership of The Barnet Group Limit and for accounting purposes is deemed to have control over that entity.

Management has provided representations that while it may exercise control under the requirements for accounting purposes, as this entity is a separate Registered Provider it does not have control over its operations and that 1-4-1 receipts can be transferred. The Council obtained a legal view that this was appropriate.

We have written to MHCLG to report our findings and included management's representations. We await a response from MHCLG to confirm whether these 1-4-1 receipts can be transferred to The Open Door Limited.

The Council's business plans assumes significant additional amounts of 1-4-1 receipts will be transferred to The Open Door Limited to develop new social housing. We recommend that management clarify with MHCLG that such transfers do qualify as valid 1-4-1 spending and to minimise the risk that such receipts do not have to be returned to Government.

This report was provided to MHCLG on 8 March 2019 to allow management to respond to our concerns. The deadline for submission was initially 11 January 2019.

TEACHERS' PENSIONS

Scheme requirements

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

The return provided for audit recorded pensionable pay of £74,215,335 and contributions payable to Teachers' Pensions of £18,862,613.

The final return was amended to report contributions payable to Teachers' Pensions of £18,865,613.

Findings

In recent years we have been unable to provide assurance to the Council or Teachers Pensions that all contributions due have been deducted and paid to Teachers Pensions.

We have again found issues with our testing of the 2017/18 return and cannot provide assurance that amounts deducted are correct or that the appropriate amounts have been paid to Teachers Pensions.

We found errors in the compilation of the return from the source data, unexplained significant differences between the actual and expected amounts of contributions based on tiered deduction rates for pensionable pay, insufficient evidence was provided to support payroll amounts and deductions for schools that have their own payroll provider, and management was not able to provide the expected confirmation email from Teachers Pensions to reconcile payments made.

A summary of our findings can be found on the following pages.

The final claim was amended to increase contributions payable to Teachers Pensions by £3,000 to £18,865,613.

We await a final amended return for submission to Department for Education. The initial submission deadline was 30 November 2018.

TEACHERS' PENSIONS

Compilation of return

Reporting matter

Adjusted

Unadjusted error

Error

We noted that there was a miskeying error of teachers' contributions in Table 2 of the return that understated amounts payable by £3,000. This has been corrected in the amended return.

Impact

The return has been amended for this error.

Information provided by schools that have their own payroll provider

Reporting matter

Adjusted

Unadjusted error

Insufficient evidence

Monthly contributions breakdowns provided to us in relation to the 14 schools with third party payroll service providers could not be reconciled to the EOYC figures.

Impact

We were not able to reconcile the slips to the schools' monthly payroll and confirm that contributions were correctly reported in the return.

We found that one contained a miskeying error where £200,383 was entered as £2,000,383.

The payroll 'slips' did not have sufficient details to enable us to agree to the 14 schools included on the return.

Payments made to Teachers Pensions

Reporting matter

Adjusted

Unadjusted error

Insufficient evidence

We are required to agree the amounts disclosed as paid to Teachers Pensions to a confirmation email sent to each local authority by Teachers Pensions.

Impact

We were not able to confirm that the correct amount had been reported in the return for the payments made to Teachers Pension for all schools.

The Council was unable to provide us with this email confirmation.

TEACHERS' PENSIONS

Consistency of contributions with pensionable pay and test deductions

Reporting matter

Adjusted

Unadjusted error

Error

Our sample testing of deductions for 20 different teachers (one month per teacher but excluding the 14 schools with third party payroll service providers) found that the teachers' and employer contributions were correctly calculated.

However, in the return, total pensionable pay is allocated into appropriate bandings along with the teachers' contributions and employer's contributions. The contributions are checked for consistency with the expected rates to ensure that all contributions are deducted. We noted significant variances between the actual and expected amounts of contributions.

Further investigation identified that the amounts recorded for third party payroll service providers had transposed the totals for contributions deducted from teachers and contributions payable by the employer.

Impact

Management will amend the return to reclassify £3,830,582 from teachers' contributions to employer contributions and £2,232,698 from employer contributions to teachers' contributions.

APPENDIX: RECOMMENDATIONS AND ACTION PLAN

2016/17 action plan

| Area / observation | Recommendation | Management response | Resolved in 2017/18 |
|--|---|--|---|
| Teachers pensions return | | | |
| <p>We were unable to confirm that all schools had provided complete information as records suggest that there are 15 schools that had outsourced their payroll, but only 10 returns were provided for April 2017, 11 for May 2017 and between June 2017 and March 2018.</p> <p>We received only aggregated information and could not check the information for individual schools.</p> <p>There was also a difference of £82,883 between the amounts included in the return and the underlying payroll records reviewed for these schools.</p> | <p>Obtain and retain on record the monthly payroll reports for each school that has outsourced its payroll.</p> | <p>Capita will continue to engage with all schools, in consultation with Barnet Council, to help establish a robust process for the collection and retention of all monthly payroll reports where the school has outsourced its payroll.</p> <p>Progress will be continually monitored and non-receipt of required data will be escalated to the Council at the earliest opportunity. We will ensure that the statutory deadlines for making returns to the Teachers Pensions Scheme are met and that the returns are accurate and up to date.</p> <p>Responsibility:</p> <p>John Kirkpatrick - Payroll Manager, Capita HR Solutions</p> | <p>No</p> <p>While returns were provided these were only 'slips' rather than detailed payroll reports and we were unable to confirm that all contributions for schools that have their own payroll provider were included in the return.</p> <p>We again found miskeying errors from the information provided by these schools.</p> |

APPENDIX: RECOMMENDATIONS AND ACTION PLAN

2016/17 action plan

| Area / observation | Recommendation | Management response | Resolved in 2017/18 |
|---|---|---|--|
| Teachers pensions return | | | |
| Teachers' Pension provided incorrect information on the total amount of contributions that it's records suggested had been paid and we were unable to reconcile amounts to information retained by the Council. | <p>Obtain information on payments made to Teachers' Pension directly by schools that have outsourced its payroll.</p> <p>Reconcile total Council and outsourced payroll provider payments made to Teachers' Pensions to the notification of receipted amounts provided by Teachers' Pensions.</p> | <p>A reconciliation is carried out by Capita to ensure that the monthly contribution slip completed and submitted for the third-party payroll providers matches the funds received by the Barnet Finance Team. This data in conjunction with Council payment data will be used to reconcile to the notification of receipted amounts provided by the TPS.</p> <p>Responsibility:</p> <p>John Kirkpatrick - Payroll Manager, Capita HR Solutions</p> | <p>No</p> <p>We were not provided with the email confirmation from Teachers Pensions for the amounts paid in the year to allow us to reconcile this to amounts paid by the Council and by schools with their own payroll provider.</p> |
| All amounts for Career Average Flexibilities and for Additional Pension Payments had been incorrectly included in the section for Additional Contributions from teachers. | Ensure that all different types of deductions are reported in the correct sections of the return. | <p>This issue will be addressed through further training.</p> <p>Responsibility:</p> <p>John Kirkpatrick - Payroll Manager, Capita HR Solutions</p> | <p>Yes</p> <p>No errors found this year on sample testing.</p> |

APPENDIX: RECOMMENDATIONS AND ACTION PLAN

2017/18 action plan

| Area / observation | Recommendation | Management response |
|--|---|---------------------|
| Housing benefits subsidy | | |
| We found that benefit cases in tenancies that require a rent officer determination of fair rents were not always referred to the VAO. | Ensure that all cases requiring annual referral to the rent officer are referred within required timescales. | TBC |
| Teachers pensions return | | |
| While returns were provided these were only 'slips' rather than detailed payroll reports and we were unable to confirm that all contributions for schools that have their own payroll provider were included in the return. We again found miskeying errors from the information provided by these schools. | Obtain detailed monthly payroll reports from all schools to ensure that the Council has all the required information to correctly complete the return. | TBC |
| We were not provided with the email confirmation from Teachers Pensions for the amounts paid in the year to allow us to reconcile this to amounts paid by the Council and by schools with their own payroll provider. | Obtain information on payments made to Teachers Pension directly by schools that have outsourced its payroll. Reconcile total Council and outsourced payroll provider payments made to Teachers' Pensions to the notification of receipted amounts provided by Teachers' Pensions. | TBC |
| We noted significant variances between the actual and expected amounts of contributions based on banding of pensionable pay. | Undertake sufficient quality assurance checks on the draft return to identify such issues and that these are resolved ahead of the audit. | TBC |

APPENDIX: RECOMMENDATIONS AND ACTION PLAN

2017/18 action plan

| Area / observation | Recommendation | Management response |
|--|---|---------------------|
| Pooling of housing capital receipts | | |
| <p>The Council’s proposal to make use of 1-4-1 receipts from retained housing sales for new social housing relies significantly on new developments built by The Open Door Limited. It is not clear whether these qualify as this is a subsidiary of the Council through its ownership of The Barnet Group Limit and for accounting purposes is deemed to have control over that entity.</p> | <p>Obtain clarification from MHCLG that 1-4-1 receipts transferred to The Open Door Limited are qualifying expenditure.</p> | <p>TBC</p> |



FOR MORE INFORMATION:

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

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**London Borough of Barnet
Audit Committee Forward Work
Programme
July 2019 – April 2020**

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

| Subject | Decision requested | Report Of | Contributing Officer(s) |
|--|--|---|-------------------------|
| 16 July 2019 | | | |
| 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 | |
| Annual Governance Statement & Code of Corporate Governance | To comment on and approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2018/19. | Director of Assurance | |
| External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2018/19 | 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 2018/19. | Director of Finance (Section 151 Officer) | External Auditors |
| Internal Audit Exception Recommendations and Progress Report Q1 1st April – 30th June 2019 and Internal Audit Charter update | To note the progress against internal audit recommendations and work Completed to date on the Internal Audit Annual Plan 2019 -20 and high priority recommendations and updated version of the Internal Audit Charter | Head of Internal Audit | |

| Subject | Decision requested | Report Of | Contributing Officer(s) |
|---|--|-----------------------------|----------------------------------|
| Corporate Anti-Fraud Team (CAFT) Q1 Progress Report: 1st April – 30th June 2019 | To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st April – 30th June 2019. | Director of Assurance | Head of Counter Fraud Operations |
| 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 | |
| 30 October 2019 | | | |
| Internal Audit Exception Recommendations and Progress Report Q2 1st July – 30th September 2019 | To note the progress against internal audit recommendations and work Completed to date on the Internal Audit Annual Plan 2019 -20 and high priority recommendations. | Head of Internal Audit | |
| Corporate Anti-Fraud Team (CAFT) Q2 Progress Report: 1st April – 30th June 2019 | To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st April – 30th June 2019. | Director Assurance | Head of Counter Fraud Operations |
| 30 January 2020 | | | |
| Internal Audit Exception Recommendations and Progress Report Q3 1st October – 31st December 2019 | To note the progress against internal audit recommendations and work Completed to date on the Internal Audit Annual Plan 2019 -20 and high priority recommendations. | Head of Internal Audit | |

| Subject | Decision requested | Report Of | Contributing Officer(s) |
|--|--|---|----------------------------------|
| Corporate Anti-Fraud Team (CAFT) Q3 Progress Report: 1st October – 31st December 2019 | To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st October – 31st December 2019 | Director of Assurance | Head of Counter Fraud Operations |
| External Annual Audit Letter 2018-19 | To consider the External Auditor's Annual Audit Letter for 2018/2019 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 |
| 29 April 2020 | | | |
| Internal Audit Exception Recommendations and Progress Report Q4 1st January – 31st March 2020 | To note the progress against internal audit recommendations and work Completed to date on the Internal Audit Annual Plan 2019 -20 and high priority recommendations. | Head of Internal Audit | |
| Corporate Anti-Fraud Team (CAFT) Annual Report 2019-2020 | To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 2019-2020 | Director of Assurance | Head of Counter Fraud Operations |
| Internal Audit and Anti-Fraud Strategy and Annual Plan 2020-21 | To approve the 2020/21 Internal Audit and Corporate Anti-Fraud Team plan | Director of Assurance Head of Internal Audit | Head of Counter Fraud Operations |

| Subject | Decision requested | Report Of | Contributing Officer(s) |
|--|--|---|-------------------------|
| External Auditor Progress Report | To consider the progress report from BDO on their progress of external audit activities for 2019/20 | Director of Finance (Section 151 Officer) | External Auditors |
| External Audit Plan 2019/20 | To consider the External Auditor's Audit strategy for the audit for the year ended 31 March 2019 | Director of Finance (Section 151 Officer) | External Auditors |
| Grants Certification Work Report 2018/19 | 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 |
| Items to be allocated | | | |
| Ad Hoc Audit Reports | To commission work from Internal and External Audit arising from the consideration of other scheduled reports subject to them being proportionate to risk identified and with agreement from the Chief Executive. To review any issue referred to the Committee by the Chief Executive, a Director or any Council body | | |

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