

MEETING

AUDIT COMMITTEE

DATE AND TIME

TUESDAY 16TH JULY, 2019

AT 7.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BG

TO: MEMBERS OF AUDIT COMMITTEE (Quorum 3)

Chairman: Councillor Rohit Grover
Vice Chairman: Councillor Peter Zinkin

Councillor Laithe Jajeh
Councillor Alison Moore

Councillor Kathy Levine
Councillor Alex Prager

Councillor Arjun Mittra

Independent Members

Geraldine Chadwick
Richard Harbord

Substitute Members

Councillor Melvin Cohen
Councillor Reema Patel

Councillor Lachhya Gurung
Councillor Lisa Rutter

Councillor Anne Hutton
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 Thursday 11 July at 10AM. Requests must be submitted to Maria Lugangira 020 8359 2761

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

ASSURANCE GROUP

Please consider the environment before printing. The average Print Cost for this Agenda is £12.47 per copy.

ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes of last meeting	5 - 10
2.	Absence of Members (If any)	
3.	Declaration of Members' Disclosable Pecuniary interests and Non Pecuniary interests (If any)	
4.	Report of the Monitoring Officer (If any)	
5.	Public Question and Comments (If any)	
6.	Members' Items (If any)	
7.	Report of the Chief Executive	11 - 18
8.	Annual Internal Audit Opinion 2018-19	19 - 58
9.	Annual Governance Statement and Code of Corporate Governance	59 - 94
10.	Annual Report of the Audit Committee 2017-18	95 - 110
11.	Internal Audit Exception Recommendations Report and Q1 Progress Report 1st April to 30th June 2019	111 - 146
12.	Corporate Anti-Fraud Team (CAFT) Q1 Progress Report 2019-20	147 - 160
13.	External Auditor's Audit Completion Report for the year 2018/19	161 - 164
14.	Committee Work Programme	165 - 168
15.	Any item(s) the Chairman decides are urgent	

FACILITIES FOR PEOPLE WITH DISABILITIES

Hendon Town Hall has access for wheelchair users including lifts and toilets. If you wish to let us know in advance that you will be attending the meeting, please telephone Maria Lugangira 020 8359 2761 maria.lugangira@barnet.gov.uk. People with hearing difficulties who have a text phone, may telephone our minicom number on 020 8203 8942. All of our Committee Rooms also have induction loops.

FIRE/EMERGENCY EVACUATION PROCEDURE
<p>If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by uniformed custodians. It is vital you follow their instructions.</p> <p>You should proceed calmly; do not run and do not use the lifts.</p> <p>Do not stop to collect personal belongings</p> <p>Once you are outside, please do not wait immediately next to the building, but move some distance away and await further instructions.</p> <p>Do not re-enter the building until told to do so.</p>

This page is intentionally left blank

Decisions of the Audit Committee

1 May 2019

Members Present:-

AGENDA ITEM 1

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

Councillor Laithe Jajeh
Councillor Kathy Levine
Councillor Arjun Mittra

Councillor Alex Prager
Councillor Alison Moore

Also in attendance

Geraldine Chadwick – Independent Member
Richard Harbord – Independent Member

1. MINUTES OF LAST MEETING

RESOLVED that the minutes of the meeting held on 31st January 2019 were agreed as a correct record.

2. ABSENCE OF MEMBERS (IF ANY)

None

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 Q4 Progress Report 1st January to 31st March 2019 [Appendix 1]	She advised 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 Q4 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.

She explained that since January 2019, three additional recommendations had been implemented GT19, GT22 and GT23. With regards to GT15 this had now moved into the amber category as new processes had been verified.

She further explained that this is last time this item would be reported as standalone report. Going forward it will be incorporated as part of the Internal Audit Progress Report.

RESOLVED -

- 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.**

8. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS REPORT AND Q4 PROGRESS REPORT 1ST JANUARY TO 31ST MARCH 2019

The Head of Internal Audit presented the report which detailed for the Committee 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 this quarter, the service issued 22 reports and the priority for the Internal Audit team was its work to confirm the implementation of the remaining actions arising from the GT review. The progress on this work being reported within the Report of the Director of Finance.

With regards to follow ups this quarter a total of 40 high priority actions due by the end of March 2019 were followed up. 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).

With regards to issues identified in the School Payroll Audit the committee requested that a 'lessons learnt report' is brought back to future meeting of committee, detailing what processes have been put in place and actions to ensure these problems do not reoccur
[Action]

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

9. CORPORATE ANTI-FRAUD TEAM (CAFT) ANNUAL REPORT 2018/19

The Director of Assurance present the report which provided an up-to-date picture of the work undertaken by Corporate Anti-Fraud Team (CAFT) during that time during period 1st April 2018 – 31st March 2019. Detailed in the report the work of the following;

- Tenancy Fraud Team
- Concessionary Travel Fraud team
- Corporate Fraud Team

Of particular noting, the year saw CAFT officers investigate and prosecute an unprecedented internal financial fraud. This saw officer resource diverted from all sections within the team to deal with the investigation. The case was given the name Operation Rouble and subsequently proved to be the most challenging, complex and substantial fraud that Barnet has experienced.

RESOLVED – That the Committee note the CAFT Annual Report covering the period 1st April 2018 – 31st March 2019

10. INTERNAL AUDIT & ANTI-FRAUD STRATEGY AND ANNUAL PLAN 2019-20

The Committee considered the report which was formulated in consultation with the Council Management Team and with reference to the Council's risk registers and in particular noted the following points;

1. Remaining actions from Grant Thornton Review of CPO fraud - if not fully implemented prior to 1st May Audit Committee it is proposed continuing the follow ups as part of the appropriate 'Business as Usual'
2. Follow-ups – more resource has been allocated in 2019/20 to enable strengthening the approach to following up previous audits. this is due to the high level of audit follow-up work required in 2018/19 and to enable the follow-up of more Medium priority actions.
3. Internal Audit Growth Bid - a successful growth bid for £116k was submitted during the year. The purpose of the bid to fund two new posts within the in-house Internal Audit team, an Internal Audit Manager and a second Senior Audit Executive. With non-chargeable days taken into consideration this equates to approximately 200 additional 'audit days' to incorporate into the plan.

With regards to the number of audit days allocated for the Strategic Director for Environment, currently 80 days, the Head of Internal Audit confirmed this would be reviewed in light of Members comments.

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

11. AUDIT PROGRESS REPORT

The External Auditor, BDO, presented the report which provided an update on the key aspects of the External Audit of the Council. The report also provides the Committee with an outline of our proposed work and progress to date for 2018/19.

He explained that BDO assessed whether the arrangements put in place by the Council would allow them to complete their work by the expected deadlines and whether there are any issues likely to have a significant impact on their ability to provide unmodified audit reports and opinions. This was included as a 'RAG' assessment in Appendix A attached to the main report

RESOLVED –

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

12. CERTIFICATION OF GRANT CLAIMS

The External Auditor from BDO, presented the report which detailed the main issues arising from BDO's certificate of grant claims and returns for the financial year ended 31 March 2018.

He explained that 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

The details of each grant claim and return subject to certification by BDO for the financial year ended 31 March 2018 related to the following;

- Housing benefit subsidy
- Polling of housing capital receipts
- Teachers Pensions

With regards to other certification work, BDO were engaged to carry out the 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.

RESOLVED –

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.

13. COMMITTEE FORWARD WORK PROGRAMME

RESOLVED that the Committee noted the Work Programme.

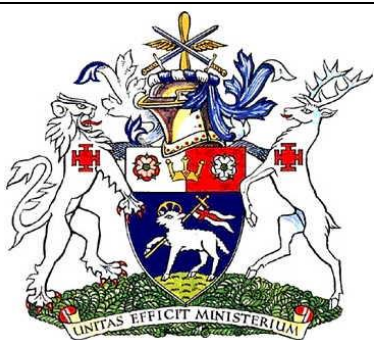
14. ANY ITEM(S) THE CHAIRMAN DECIDES ARE URGENT

None.

The meeting finished at 9.25 pm

This page is intentionally left blank

AGENDA ITEM 7



Audit Committee 16th July 2019

Title	Report of Chief Executive
Report of	Chief Executive
Wards	All
Status	Public
Urgent	Yes
Key	Yes
Enclosures	None
Officer Contact Details	John Hooton Chief Executive Email - John.Hooton@barnet.gov.uk

Summary

In July 2018, the Audit Committee received a report from the Chief Executive on the key governance and organisational challenges that the Council was facing, and the plan to address these.

They were as follows:

1. Children's Improvement;
2. Improvements to Financial Controls;
3. Review of CSG and RE contracts;
4. Budgetary control and financial planning;
5. Council management structure; and
6. Review of governance.

This report feeds back to the Committee on the progress made against these key governance and organisational challenges.

Officers Recommendations

1. That the Committee note and comment on the report.

1. WHY THIS REPORT IS NEEDED

Context

- 1.1 Barnet Council, along with most Councils across the country, is facing significant challenges in terms of continuing to deliver the best possible services for people locally, with reduced funding from central government, along with increasing demand for services, particularly in respect of adults and children's social care, and the costs of temporary accommodation.
- 1.2 The Council's core purpose is to deliver the best services and best outcomes for people in Barnet. The Council's approach to enable us to continue to deliver against this has been to plan ahead for these challenges, setting out a future financial strategy based around growth in income from development, driving efficiency, and managing demand across high cost services.
- 1.3 Throughout the year 2018/19, the Council has been focusing on a number of key challenges and areas for improvement which were originally reported to Audit Committee back in July 2018. These have included improving children's services, improving internal financial controls, reviewing the CSG and Re contracts, addressing financial sustainability and reviewing organisational governance.
- 1.4 Despite a challenging environment, considerable progress has been made. The Council has been re-inspected by Ofsted recently and has moved from "inadequate" to "good" for children's social care. This is a significant achievement and reflects considerable hard work and dedication from officers particularly in family services, but also across other services and partner organisations such as health and police. While the rating itself is important, the fundamental point is that outcomes for children and young people are much improved, in terms of safety, stability of placements, as well as better outcomes for care leavers in respect of employment, education and training.
- 1.5 The Council has also taken positive steps to improve internal controls, implementing the recommendations from the Grant Thornton review, as well as insourcing strategic HR and finance to enable stronger control of these functions. This should provide a good platform to continue to improve for the future.
- 1.6 Of course these are not the only things that the Council has focused on in 2018/19. Considerable success has been achieved for example in securing funding to enable the start of the Brent Cross development, national recognition for the work we are doing across Adults Social Care, a range of successful public health initiatives, investment in parks and leisure infrastructure across the borough, and much more.

Update on progress

- 1.7 This section sets out the actions that have been taken and the progress made against the key challenges set out above.

Children's Services Improvement

- 1.8 An inspection into Children's Services in Barnet published in July 2017 found services to be inadequate. Senior managers in the Council were aware of these issues following the Director of Children's Services appointment and his work on highlighting the poor quality of services for children in the borough. However, insufficient improvement had taken place by the time the inspection took place
- 1.9 An independently chaired improvement board was put in place to drive improvement across services for children and this board is attended by members, officers and partner organisations (health, police, schools). Ofsted undertook six monitoring visits and progress on improvement was maintained at the appropriate pace since the July 17 inspection.
- 1.10 In July 2018, the Audit Committee report included an aspiration that services for Children in Barnet would be rated as "requires improvement" by 2019 and "good" by 2020. In May 2019, Ofsted completed a re-inspection of children's services and the outcome was a rating of "good". The report states that 'Leaders and managers have made purposeful progress, at pace, to establish a child-focused service that is delivering good outcomes'. It also found that children in care now receive a good service from workers who know them well; and that carers provide stable homes and are supportive and ambitious for the children in their care. It found that there is strong and effective leadership at a political level and throughout the council, which has prioritized support and care for children and young people, and led to significant and tangible improvements in the quality of social work practice, and the services experienced by children and young people.
- 1.11 This is a great achievement and testament to the dedication of staff across Barnet and partner organisations. Most critically, it means that outcomes for children are improved. For example, safeguarding referrals are dealt with quickly and effectively, and assessment and planning is much improved. The Council has recruited over 40 foster carers over the past year, contributing to much improved stability and permanence for children in care. Employment and educational outcomes for care leavers is much improved.

Financial Control and Risk of Fraud

- 1.12 A referral was received by the Corporate Anti-Fraud Team (CAFT) in December 2017 alleging that a substantial amount of money had been paid into an account belonging to a member of Re staff. A criminal and financial investigation was immediately initiated by CAFT which subsequently identified

that 62 allegedly fraudulent transactions, between July 2016 to December 2017, amounting to the total sum of £2,063,972.00, had been paid into various bank accounts controlled by the individual. The criminal investigation was concluded in 2018 and led to a custodial sentence for the individual. The sum was repaid to the Council by Re.

- 1.13 Following this discovery, the Council immediately took action to tighten financial controls and initiated an independent report into the financial control environment across the organisation. These improvements included a new system for approving CHAPs payments, dual authorisation for release of payments, and tightened controls within the Council's financial systems.
- 1.14 The Council employed Grant Thornton UK LLP (GT) in January 2018 to undertake a detailed review to fully understand and document the fraud itself through a forensic review, identify the reasons that the alleged fraud could occur, including weaknesses in the control environment and to identify lessons learned. The Council along with CSG and RE have worked during 2018/19 to implement the recommendations from this report. At the time of writing, all but four of these recommendations have been fully implemented. Further detail is set out in the Head of Internal Audit report.
- 1.15 The target set in the Audit Committee report back in July 2018 was a tightened financial control environment with reasonable or substantial assurance on internal control audit reports during 2018/19. While systems of internal financial control have improved and have been tested to be more robust, concerns have remained during the year particularly in respect of audit reports into human resources functions including the pensions service. This has culminated in a limited assurance audit opinion for 2018/19. Strengthening internal controls will continue to be a key focus for 2019/20.

Review of CSG and Re Contracts

- 1.16 In July 2018, Policy and Resources Committee agreed a process to review the CSG and Re contracts, with the option of bringing a number of services in house, while continuing with and building on the success of a number of other services within the contracts.
- 1.17 In December 2018, Policy and Resources Committee agreed to insource strategic human resources and finance to the Council. This transfer took place on the 1st April 2019. This enables the Council to take more direct control over these important services and provides a platform for these services to continue to improve and support the business effectively.
- 1.18 An independently chaired improvement board was put in place to drive improvement across services for children and this board is attended by members, officers and partner organisations (health, police, schools). Ofsted

undertook six monitoring visits and progress on improvement was maintained at the appropriate pace since the July 17 inspection.

- 1.19 In relation to the Re contract, issues have been raised on financial controls and the operation of the Highways service. A number of these performance concerns were also highlighted in the contract reviews that were carried out in 2016 and 2017 of the CSG and Re contracts respectively. The focus is now on improving these services within the current contractual arrangements.

Budgetary control and financial planning

- 1.20 The Chief Executive and Chief Finance Officer have strengthened budgetary control arrangements across the organisation, and all senior officers worked to ensure the Council's budget is balanced in 2018/19 and that the medium term financial strategy was reset during the year.
- 1.21 At quarter one last year, it was identified that the council had a £9.5million in-year budget pressure. A number of measures were immediately put in place to tackle the overspend and balance the budget, including a freeze on non-essential expenditure, recruitment and agency panels to reduce staffing spend, and budget recovery plans across each service.
- 1.22 The outturn position has already been reported to Committee and the Council finished the year £822,000 overspent. While there was still an overspend, the financial picture is much improved to where we were 10 months ago. During this period, due to a number of one-off injections of money (such as the Capita settlement and a higher value of business rates from the London pool), we have also added to our revenue reserves by £2.6m, meaning we are also in a more positive reserves position than we had anticipated this time last year.
- 1.23 In March 2019, Council set a new 5 year budget covering the period 2019 to 2024. While there are still obviously huge challenges involved in delivering this plan, there is a clear future strategy in place to ensure that the organisation is financially sustainable in the medium term.
- 1.24 The outcomes set at Audit Committee in July 2018 were a balanced budget in 2018/19, a sustainable capital programme and a sustainable reserves position. With the benefit of the cost savings, the grant for Brent Cross Thameslink and the one-off injections of cash set out above, all of these outcomes have been met.

Council Management Structure

- 1.25 A review of the Council's senior management structure was undertaken in 2018/19. This took into account the proposed changes to the Capita contracts

and addressed matters in respect of roles, responsibilities and accountabilities. It also set out a target to save £0.7m.

- 1.26 The review was approved by Constitution and General Purposes Committee in January 2019 and was in effect by April 2019.

Governance review

- 1.27 Alongside the actions noted above, the Council's governance was reviewed in 2018/19 to ensure that sufficient scrutiny and oversight is in place, and that partner organisations are involved in agendas that cut across public agencies in the borough.

- 1.28 Following the Local Government Elections in May 2018, the Council's governance arrangements were reviewed to ensure that they are fit for purpose for the next four years. This has focused on the following:

- Changes to Committee Governance
- Review of Family Services Governance
- Partnership Governance Arrangements

- 1.29 These changes were reported to Audit Committee in July 2018. Since that point, officers have ensured that these arrangements are effectively embedded across the Council.

2. REASONS FOR RECOMMENDATIONS

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

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

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

4. POST DECISION IMPLEMENTATION

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

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

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

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

- 5.2.1 Effective financial control, financial management and governance arrangements are essential to ensure that the Council manages its finances well and provides good value for money.

5.3 Social Value

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

5.4 Legal and Constitutional References

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

5.5 Risk Management

The Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to achievement of London Borough of Barnet policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically

5.6 Equalities and Diversity

The 2010 Equality Act outlines the provisions of the Public-Sector Equalities Duty which requires Public Bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010,
- advance equality of opportunity between people from different groups,
- foster good relations between people from different groups

- 5.6.1 The broad purpose of this duty is to integrate considerations of equality into day to day business and keep them under review in decision making, the design of policies and the delivery of services. Equalities and Diversity considerations were taken into account during the review of services and specifically in relation

to any review of the CSG and Re contracts.

5.7 Corporate Parenting

- 5.7.1 The revised governance arrangements referred to in the report included changes to ensure that corporate parenting principles are effectively embedded across the organisation and partnership to support the Council's corporate parenting duties.

5.8 Consultation and Engagement

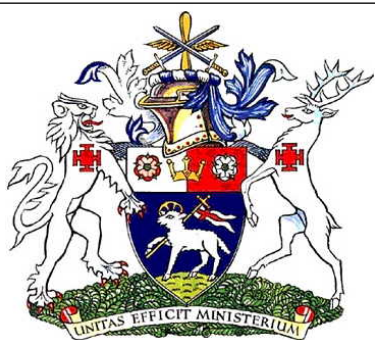
- 5.8.1 No specific implications in respect of this report.

5.9 Insight

- 5.9.1 No specific implications in respect of this report.

6. BACKGROUND PAPERS

- 6.7 None



Audit Committee

16 July 2019

Title	Annual Internal Audit Opinion 2018-19
Report of	Head of Internal Audit
Wards	Not applicable
Status	Public
Urgent	No
Key	No
Enclosures	Annual Internal Audit Opinion 2018-19
Officer Contact Details	Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721

Summary

Each year the work of Internal Audit is summarised to give an overall opinion on the system of internal control and corporate governance within the Council. This is a requirement of the Public Sector Internal Audit Standards (PSIAs).

The Opinion covers the internal audit work completed during the year up to 31 March 2019, including the increased focus on follow-ups of previous audit recommendations. It is also informed, where appropriate, by other third-party assurances, for example from Ofsted and the Pensions Regulator.

The Opinion reflects that fact that during 2018/19 a significant amount of the Internal Audit team's time was spent following-up the Grant Thornton review of the Compulsory Purchase Order (CPO) fraud. As at 31 March 2019, 4 of the 32 GT actions remained Partly Implemented. The need to prioritise this work meant that other planned audits, particularly of in-house services, were deferred, as detailed within the report (Appendix 5 – Changes to the 2018/19 Published Plan).

The four possible ratings that can be given are:

Finding rating

No assurance

Limited assurance

Reasonable assurance

Substantial assurance

In 2018-19 the annual opinion overall is:

Limited assurance

This is consistent with the 2017-18 annual opinion. Overall the percentage of Limited and No Assurance ratings compared to the prior year is the same (25% in total). However, in 2018/19 there were two No Assurance reports issued (whereas in 2017/18 there were none). Similarly, although the overall percentage of Reasonable and Substantial ratings compared to the prior year is the same (75% in total), in 2018/19 there were only two Substantial reports issued (whereas in 2017/18 there were four).

The majority of audit work completed during the year was to address key risks associated within the operation of the Council's support functions provided by Capita, whereas there was less coverage of the Council's in-house services than in previous years. These corporate back-office functions support all of the Council's activities and underpin effective service delivery.

Although improvement has been shown in some areas, particularly in the second half of the year, it is my opinion that there is still significant work needed to embed these improvements and address known weaknesses and non-compliance in the framework of governance, risk management and control which put the achievement of organisational objectives at risk.

Further improvements are required to improve the adequacy and effectiveness of governance and control compliance.

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

- Financial control and fraud risk

- CSG Assurance Framework and Service Delivery
- Data quality and integrity
- Compliance / Policies and procedures

The Annual Internal Audit Opinion informs the Annual Governance Statement (see separate agenda item). The Annual Governance Statement and the Report of the Chief Executive (see separate agenda item) include further detail on the Council's response to the issues identified within this Opinion.

Recommendations

- 1. That the Committee note the contents of the Annual Internal Audit Opinion 2018-19.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee's role in receiving this report is to note the overall assurance given and to focus on the improvement areas noted as themes for 2018-19. This is as per the approved Workplan of the Audit Committee.

2. REASONS FOR RECOMMENDATIONS

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

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable

4. POST DECISION IMPLEMENTATION

- 4.1 Not applicable

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

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

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

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

5.3 Social Value

- 5.3.1 Not applicable

5.4 Legal and Constitutional References

- 5.4.1 There are no legal issues in the context of this report.
- 5.4.2 The Council's Constitution, Responsibilities for Functions - the Audit Committee terms of reference include "to consider the annual audit opinion".

5.5 Risk Management

- 5.5.1 All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council's objectives. Internal Audit does this by identifying areas for improvement and agreeing actions to address the weaknesses.
- 5.5.2 Internal Audit work contributes to increasing awareness and understanding of risk and controls amongst managers and thus leads to improving management processes for securing more effective risk management.

5.6 Equalities and Diversity

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

5.7 Corporate Parenting

- 5.7.1 Not applicable

5.8 Consultation and Engagement

- 5.8.1 Not applicable

5.9 Insight

- 5.9.1 Not applicable

6. BACKGROUND PAPERS

- 6.8 Audit Committee 1 May 2019 (Decision Item 13). – The Committee approved the Work Programme for 2018-19, which included the Internal Audit Annual Opinion for inclusion at this meeting.

<http://barnet.moderngov.co.uk/documents/s52414/Committee%20Forward%20Work%20Programme.pdf>

The London Borough of Barnet

Annual Internal Audit Opinion

2018/2019

July 2019

► Click to launch



Contents

Executive summary

1



Summary of findings

2



Internal audit work conducted

3



Summary of schools audits

4



Follow up work conducted

5



Appendices

6



Executive summary (1 of 4)

Introduction

This report outlines the internal audit work carried out for the year ended 31 March 2019. Internal audit work was performed in accordance with the Public Sector Internal Audit Standards 2017.

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

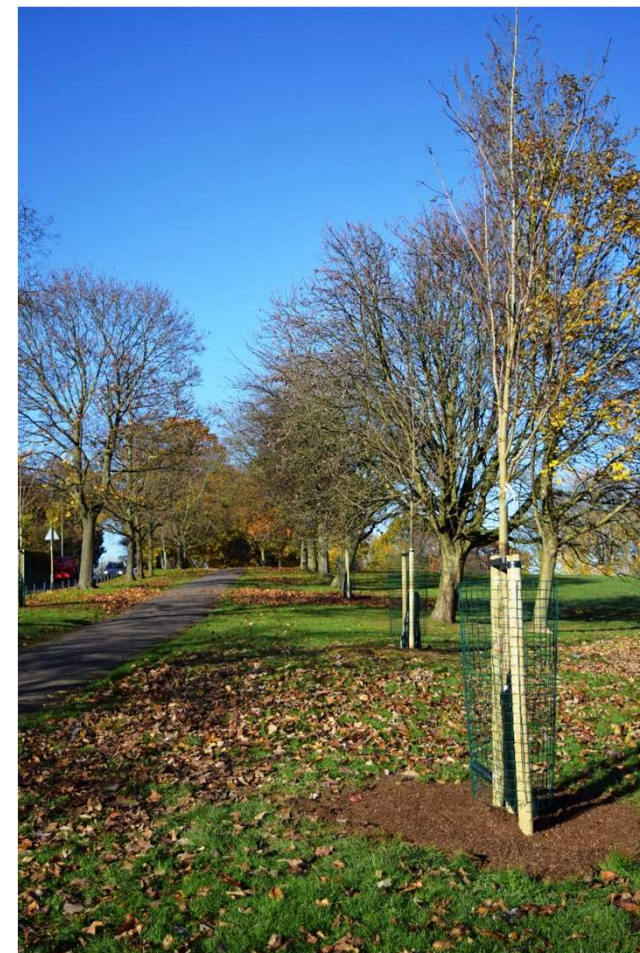
During 2018/19, the range of audit coverage was narrower than originally planned due to the significant amount of work needed to confirm the implementation of the actions from the Grant Thornton review of Compulsory Purchase Order (CPO) Fraud (see Appendix 5, Changes to the 2018/19 published plan). The majority of audit work completed during the year was to address key risks associated within the operation of the Council's support functions provided by Capita, whereas there was less coverage of the Council's in-house services than in previous years.

While systems of internal control were found to be 'Reasonable' or 'Substantial' in 75% of audits, particular concerns have existed around HR (including payroll and pensions), finance and estates which have meant that the overall opinion remains at 'Limited Assurance' for the year – as these support services impact upon all of the Council's operations. It should be noted that in response to these concerns strategic HR and finance were brought back in-house on 1st April 2019.

Head of Internal Audit opinion

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

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



Executive summary (2 of 4)

Opinion

My opinion is as follows:

Limited Assurance

Although improvement has been shown, particularly in the second half of the year, there is still significant work needed to embed these improvements and address known weaknesses and non-compliance in the framework of governance, risk management and control which put the achievement of the organisation's objectives at risk.

Further improvements are required to improve the adequacy and effectiveness of governance and control compliance.

Please see our Summary of Findings in Section 2.

Direction of travel

2017/18 annual opinion:

Limited Assurance



Basis of opinion

My opinion is based on:

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

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

Commentary

We completed 41 internal audit reviews and 22 schools audits during 2018/19 (compared to 49 internal audit reviews and 24 schools audits in 2017/18). This resulted in the identification of 0 critical, 26 high, 120 medium and 98 low risk findings to improve weaknesses in the design of controls and/or their operating effectiveness (compared to 0 critical, 27 high, 143 medium and 88 low risk findings in 2017/18).

- During 2018/19, alongside the planned internal audit reviews there was a considerable focus on the delivery of the 'GT Action Plan', the recommendations that came from the Grant Thornton review of the CPO fraud that was identified in December 2017. Internal Audit's role during the year has been to confirm the operating effectiveness of the strengthened financial controls that were introduced off the back of this review. As at the end of Q4, Internal Audit had confirmed that 23 of these 27 actions had been implemented and the Council's financial controls framework has clearly improved. However, the speed of implementation across some aspects of the GT Action plan has been slower than it could have been and for a significant portion of 2018/19 a number of key actions had not been completed.

A failure of the control environment around financial management could significantly exacerbate the already extensive financial pressures on the Council and increases the risk of fraud.

Executive summary (3 of 4)

Commentary (continued)

- In 2017/18 one of the contributing factors to the Limited Assurance opinion was Barnet Children's services being rated as Inadequate by **Ofsted** in May 2018. During 2018/19 Internal Audit undertook an 'embedded assurance' role, providing independent assurance that the Children's Services improvement plan was being delivered and that reported progress was supported by evidence. At the end of Q3, due to the positive monitoring visits from Ofsted during the year, the decision was made to move back to a 'Business as Usual' approach to auditing Family Services. Ofsted completed their full follow-up inspection in May 2019 with an extremely positive outcome of Barnet's children's services moving from 'Inadequate' to 'Good'.
- As in the previous year, **governance issues** were noted across a number of audits, for example within Schools Payroll, Temporary and Interim Workforce and Integra Access & Change Management where roles, responsibilities and reporting lines were not consistently defined or understood, leading to gaps in delivery and oversight. In a number of cases where there have been issues with the quality of service delivery, in my view this has not been helped by back office functions being operated from a number of different locations across the country, in particular Schools Payroll and Pensions Administration. The Grant Thornton review of the CPO Fraud highlighted that within the '3 Lines of Defence' model in operation at the Council, there were gaps in how the three lines (1 – Business Operations, 2 – Oversight Functions and 3 – Independent Assurance) were communicating with and feeding back to each other. It is recognised by all concerned that communication needs to improve. Whilst it is recognised that a particular focus for the Council this year was to improve financial governance, including financial delegations and controls, this work was completed towards the end of the year, culminating in the finance function being brought back in-house from 1 April 2019. It will be a key focus of the 2019/20 Internal Audit plan to confirm that these arrangements have led to improvement.
- When considering the ratings of all non-schools Internal Audit reports issued during the year. Overall the percentage of Limited and No Assurance ratings compared to the prior year is the same (25% in total), However, in 2018/19 there were two No Assurance reports issued (whereas in 2017/18 there were none). Similarly, although the overall percentage of Reasonable and Substantial ratings compared to the prior year is the same (75% in total), in 2018/19 there were only two Substantial reports issued (whereas in 2017/18 there were four).
- During the year the **implementation of audit actions** was well below target. The target of 90% of high priority recommendations being implemented was not met in any quarter. This required the intervention of the Chief Executive in Q3 to re-focus services on the importance of implementation of audit recommendations. It is positive to note that performance did improve in Q4 when 82% of high priority actions were implemented, compared to 49% in Q3. The risk rating of the associated risk, AG020, remained at 16 at the end of the year until there was evidence that this improvement has been sustained. It is also apparent that across the Council medium priority actions are not routinely implemented.

The key findings from our audits have been grouped into four themes in the Summary of Findings section:

- **Financial control and fraud risk**
- **CSG Assurance Framework and Service Delivery**
- **Data quality and integrity**
- **Compliance / Policies & Procedures**

Executive summary (4 of 4)

Although improvement has been shown, particularly in the second half of the year, there is still significant work needed to embed these improvements and address known weaknesses and non-compliance in the framework of governance, risk management and control which put the achievement of the organisation's objectives at risk. In recognition of continued governance issues and the need for change, particularly in finance and HR, the decision was taken by the Council to bring these services in-house.

Further improvements are required to improve the adequacy and effectiveness of governance and control compliance as these changes become embedded.

Therefore a **Limited Assurance** opinion has been given.

Please see our Summary of Findings in Section 2.

Internal Audit Quality Assurance and Improvement Programme

The Internal Audit function has continued to perform effectively, learning from previous years reviews and findings, for example:

- Internal Audit has increased the focus on high fraud risk areas for the Council through a number of joint reviews with the Corporate Anti-Fraud Team (CAFT).
- Internal Audit has implemented its actions raised through the Grant Thornton review of CPO Fraud, namely around:
 - *Developing the Terms of Reference*
 - *Weighting risks in Testing*

A summary of performance and a self-assessment against the Public Sector Internal Audit Standards can be found at Appendix 4.

Implications for next year's plan

The 2019/20 internal audit plan is a live document, which will be reviewed during the year to accommodate any emerging risks. The Internal Audit service budget for 2019/20 has been increased; this increased capacity will be used to focus more resource on the audits of key financial systems, follow-up audit work so that not only high priority actions are monitored and additional contingency days to enable the service to be responsive as new audit requirements arise.

Acknowledgement

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

Summary of findings (1 of 8)

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

1) Financial control and fraud risk

A key theme in my 2017/18 Internal Audit Opinion was the weakening of the financial control environment. The Council was subject to a significant financial fraud in December 2017 and responded immediately with a criminal investigation by the Corporate Anti-Fraud Team. The suspect was suspended from work and shortly after dismissed; stringent additional emergency financial controls were put in place to safeguard the Council's finances. An independent review of financial control and financial forensic analysis was undertaken by Grant Thornton.

Our 2018/19 Internal Audit Plan has remained focussed on key processes and controls to maintain financial control and mitigate the risk of fraud. The Plan included a number of audits within which we specifically sought to confirm the operating effectiveness of the new controls introduced as a result of the Grant Thornton review. The GT review identified five broad themes to describe aspects of financial control that relate to the management of regeneration schemes, and the related finance support services which at that time were provided by CSG – the 'Five Pillars'. Grant Thornton considered that if any one of these control pillars were functioning effectively during the period, it should not have been possible for the individual to perpetrate the fraud for such an extended period of time through prevention of the means and opportunity, or through detection or deterrence. The following page shows the status of the GT actions across the Five Pillars; as at 31 March 2019 Internal Audit work was ongoing to confirm the operating effectiveness of controls in place relating to the 4 outstanding actions as follows. This remaining work is being taken forward as part of the 2019/20 Internal Audit plan.

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
GT20	Capital Budget Review	Capital Budget Monitoring	Q2

Summary of findings (2 of 8)

1) Financial control and fraud risk (continued)

As at 31 March 2019 the status against the GT actions was as follows:

Pillar	I: Delegated authority and control over access to systems	II: Control over the processing of transactions	III: Control over journals within the Integra ledger	IV: Budgetary control and financial reporting	V: The financial control environment for regeneration projects
Summary	A lack of clarity over the lines of delegated authority and a lack of control over system access, created the opportunity to access cost centres for inappropriate use.	A lack of robust review and challenge in the authorisation of payments and a lack of reconciliation to amounts due back from developers, allowed fraudulent payments to be made.	A lack of robust challenge and review in the authorisation of journals that enabled fraudulent transactions to be disguised.	A lack of robust challenge from CSG finance business partners and a lack of scrutiny at transactional level resulted in a lost opportunity to identify and question unusual payments.	Insufficient review and professional scepticism by managers in CSG Finance and Re, contributed to significant financial control weaknesses in relation to regeneration projects. Many of these weaknesses persisted over a long period of time and should have been identified and mitigated as part of routine management activity. There was also insufficient oversight by the Council.
High, immediate priority recommendations	2 out of 3 implemented 1 out of 3 partially implemented	3 out of 4 implemented 1 out of 4 partially implemented	1 out of 1 implemented	1 out of 1 partially implemented	3 out of 3 implemented
Medium priority recommendations	1 out of 1 implemented	8 out of 8 implemented	1 out of 1 implemented	6 out of 7 implemented 1 out of 7 partially implemented	4 out of 4 implemented

As at 31 March 2019 the Partly Implemented GT actions were:

- GT4 – Managing access and authorisation rights on IT systems (High)
- GT15 – BACS process for new suppliers (High)
- GT20 – Capital Budget Review (Medium)
- GT21 – Capital Budgets – BDM (High)

Summary of findings (3 of 8)

1) Financial control and fraud risk (continued)

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

Other examples noted in the course of our testing	# High priority actions raised in audit	# High priority actions not yet implemented at 31 March 2019
<p>Banking and payments arrangements (Treasury) – Weaknesses were identified over granting and maintenance of authorisation rights and access within Bankline, including: a user with multiple login IDs; no process for regular access reviews of Bankline users; and weak guidance about how to request new users and assign user profiles. The policy governing access and authorisation rights in Bankline did not accurately reflect the roles and responsibilities that have been set up for Council users.</p> <p>Schools payroll – 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.</p> <p>CIL and S106 follow-up - A number of anti-fraud controls were agreed by the Strategic Planning Operations Board in 2017 but they were not operating as expected. In particular there was no formal monthly checking of liabilities calculated which were under £200,000 and reliefs granted whose value was under £50,000.</p> <p>Facilities management – There was a lack of audit trail linking incidents raised on Hornbill with Permit to Work forms and subsequent Purchase Order (PO) numbers and invoices raised by contractors. This meant that in some instances we were unable to confirm controls were operating as expected. In addition, the authorisation process for resolving incidents did not appear to be appropriately designed and had potential for work to be agreed by CSG Estates without a detailed knowledge of the final cost.</p> <p>Integra access and change management - An "Integra User Setup Form" template is used to request access/permissions in Integra for Integra users. The form, which must be completed by the user's line manager, includes an "Instruction" tab re-iterating the requirements for the authorisation of user access in Integra. The "Instruction" tab referred to the line manager's responsibility to complete the form; however, it did not refer to the additional requirement that it must be approved by an assistant director or above where the new user is allocated a financial authority limit allowing them to approve expenditure.</p>	<p>8</p> <p>5</p> <p>2</p> <p>12</p> <p>4</p>	<p>1</p> <p>2</p> <p>1</p> <p>0</p> <p>1</p>

Summary of findings (4 of 8)

2) CSG Assurance Framework and Service Delivery

The Grant Thornton (GT) review of the CPO Fraud highlighted that within the '3 Lines of Defence' model in operation at the Council, there were gaps in how the three lines (1 – Business Operations, 2 – Oversight Functions and 3 – Independent Assurance) were communicating with and feeding back to each other. During 2018/19, there has been continued focus on embedding, reviewing and strengthening the arrangements introduced through the Council's 2017/18 Performance Governance Review, including much better clarity over the Accountability that rests with the Council's Management Team, and ensuring the Council has adequate capacity to deal with contractual performance issues as they arise, particularly regarding the Capita contracts. This has included the implementation of a high priority internal audit recommendation from June 2016 around the CSG Assurance Framework, via an exercise to understand and document the 'Three Lines of Defence' over the CSG and Re contracts which has supported better contract management of poorly performing HR/pensions, finance and estates services. These activities were completed in May 2018 and January 2019 respectively. In addition, there has been a particular focus on improving financial governance including financial delegations and controls. However, for the first part of the year the weaknesses identified by the GT review remained e.g. lack of clear policies and procedures within Regeneration and Finance, lack of a Regeneration structure chart, lack of training within the Regeneration and Finance teams.

Our audit work highlighted that in some other areas roles, responsibilities and reporting lines were not consistently defined or understood and that training for staff was not consistently provided, leading to gaps in delivery or governance oversight.

Examples noted in the course of our testing	# High priority actions raised in audit	# High priority actions not yet implemented at 31 March 2019
Temporary and interim workforce - We noted that the management of the Agency staff contract sits with both Procurement and HR. Based on our findings, there were indications that this arrangement meant that the contract management process was unclear and didn't facilitate and support workforce planning and management at an operational level. For instance, roles and responsibilities for monitoring the performance of the temporary agency staff supply contract were unclear.	18	11
Integra access and change management - There was a general lack of understanding of roles and responsibilities by line managers in relation to the operating procedures for access and change management for Integra. The process for removing access from Integra when somebody leaves the organisation is currently not fully joined up and does not always work in practice. In addition, periodic user access reviews have not been performed on a regular basis to ensure that only appropriate personnel have active user accounts in the system and that they have appropriate rights commensurate with their job responsibilities.	4	1

Summary of findings (5 of 8)

2) CSG Assurance Framework and Service Delivery (continued)

Examples noted in the course of our testing	# High priority actions raised in audit	# High priority actions not yet implemented at 31 March 2019
<p>Schools payroll - 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. During remuneration testing, we were unable to provide assurance over the accuracy of certain pay elements and related controls owing to evidence not being provided.</p>	5	2
<p>Onboarding - We were unable to confirm attendance at Induction training for 14/19 (74%) of our sample of new starters. Non-attendance for induction sessions was not alerted to the responsible line managers. A 'Site Welcome Pack' for new starters, prepared by the Estates Facilities Management team and covering key areas including fire emergency health and safety procedures, was not communicated to new starters.</p>	4	1

Summary of findings (6 of 8)

3) Data quality and integrity

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

To note: A General Data Protection Regulations (GDPR) Plan Review was completed in Q1 2019/20, which noted no significant issues, and concluded that the plan broadly covers the actions required to deliver the key aspects of the GDPR.

Examples noted in the course of our testing	# High priority actions raised in audit	# High priority actions not yet implemented at 31 March 2019
Pensions Administration follow-up – Significant data quality issues with regards the conditional data required for the Triennial valuation of the Scheme Fund were identified. Although these were reduced in year, interest from the Pensions Regulator and a number of other issues remain.	10	2
Equalities data quality and analysis - Significant issues were found in the design and operation of controls relating to the processing and interpretation of equalities data at the Council. Data analysis was not sufficiently in-depth to identify equalities issues and support the targeting of interventions to improve equalities performance. As such, this activity did not support the Council to demonstrate that it is meeting the requirements of the Public Sector Equalities Duty.	10	3
Mandatory gender pay gap reporting (part of Equalities Data Quality and Analysis audit) – Mandatory gender pay gap reporting published by the Council included an incorrectly calculated median gender pay gap: the published data stated that there was no median gender pay gap, but a median pay gap of -6.3% (women are paid more than men) should have been reported. Records of the approach taken to the calculation were not retained, and as such it was not possible to confirm that the national guidance was fully followed.	As above	As above

Summary of findings (7 of 8)

3) Data quality and integrity (continued)

Examples noted in the course of our testing	# High priority actions raised in audit	# High priority actions not yet implemented at 31 March 2019
<p>Staff performance reviews - Equalities data analysis was carried out relating to staff performance reviews. However, this analysis did not identify potential issues relating to the performance ratings assigned to some groups of staff with protected characteristics under the Equality Act. This was exacerbated by a failure to act on high risk findings from a previous audit. Data was published which might allow the outcomes of individuals' performance reviews to be identified. Some protected characteristics were omitted from the data analysis.</p>	2	2
<p>Schools payroll - 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.</p>	5	2
<p>Facilities management - The KPI definition for Resolving Facilities Incidents required for jobs to be categorised according to resolution time, however, we found that there was no definition of reporting categories and their agreed rectification times.</p>	12	0

Summary of findings (8 of 8)

4) Compliance / Policies and Procedures

We noted issues with the performance of key employment checks including DBS and right to work checks, which could lead to fines, legal action and reputational damage. In a number of areas including some key financial systems, we (and Grant Thornton in their review of the CPO Fraud) noted that policies and procedures were not consistently in place or regularly updated. As a basic pillar of a functioning control framework, this indicates that the control environment is not being regularly reviewed and updated to mirror changes in local or statutory approaches to service delivery, increasing the level of risk exposure for the Council.

Examples noted in the course of our testing

	# High priority actions raised in audit	# High priority actions not yet implemented at 31 March 2019
<p>Depot review arrangements - The monitoring of the tracking reports of the commercial waste and recycling refuse vehicles, in line with the Street Scene Use of Tracker Information Systems document, had not been undertaken since June 2017. In addition, refuse vehicle inspections did not follow the policy of one check each day Monday - Friday and of the 25 days tested, trade waste refuse vehicles were only inspected 3 times. The policy is not specific as to trade waste vehicles, however as issues had been noted in the trade waste area in the past we would have expected inspections of trade waste refuse vehicles more frequently.</p>	4	1
<p>Temporary and interim workforce - Significant issues were found in the design and operation of controls around contract monitoring and the process for requesting agency staff which may significantly reduce the Council's ability to monitor the contract in a way which will allow targeted interventions to reduce overall agency staffing spend. Issues were noted with systems in place for requesting agency staff which may mean that statutory compliance around DBS checks is not sufficiently monitored and that staff can be requested by people who do not have authority over the relevant cost codes. Through our testing, we noted that there were controls operating to review the DBS status of staff who have access to vulnerable residents or client groups; however, these controls were not documented and the reviews carried out do not have clear sampling and testing parameters or escalation routes for any issues identified. Further, DBS clearance was not consistently included as a requirement in role profiles for roles which would include access to vulnerable residents and user groups. Clearance details were not consistently held within the agency staff system for individuals employed in such roles. In addition, we noted that there were no agreed policies or procedures in place over the hiring of agency or interim staff.</p>	18	11
<p>Facilities management - The FM Team report on incident resolution through KPI CSG 25 (Incident Resolution). Management confirmed that incidents could be placed on 'hold' when there is a delay outside the control of Facilities Management, but we noted there was no definition or clear expectation of reasons to place incidents on hold.</p>	12	0

Internal audit work conducted (1 of 5)

Introduction

We completed 41 non-schools audits and advisory reviews in the year ending 31 March 2019. The table below sets out the results of our internal audit work. This is followed by a summary of the direction of travel shown.

Results of individual assignments – No Assurance

Review	Primary Audit Area	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Temporary and interim workforce	CSG HR	No	-	5	5	4	1
Schools Payroll	CSG Payroll	No	-	5	1	-	-
Total		2	-	10	6	4	1

Results of individual assignments - Limited Assurance

Review	Primary Audit Area	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Non-Schools Payroll	CSG Payroll	Limited	-	1	8	2	-
Facilities Management	CSG Estates	Limited	-	2	2	2	-
Equalities Data Quality and Analysis	CSG HR	Limited	-	2	-	2	-
Onboarding	CSG HR	Limited	-	1	3	-	1
Total		4	-	6	13	6	1

Internal audit work conducted (2 of 5)

Results of individual assignments - Reasonable Assurance

Review	Primary Audit Area	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Integra Access and Program Change Management ("APCM")	CSG Finance	Reasonable	-	1	2	1	2
Teachers Pensions – Phase 2	CSG Pensions	Reasonable	-	1	2	1	-
Housing benefit	CSG Revs & Bens	Reasonable	-	1	1	4	-
Banking & Payment Arrangements – Treasury Management	CSG Finance	Reasonable	-	1	1	3	4
Review of new Depot arrangements	LBB Street Scene	Reasonable	-	1	1	3	1
IT Governance – Strategic Decision Making	CSG IT	Reasonable	-	-	5	1	-
Emergency Planning	LBB Emergency Planning	Reasonable	-	-	5	1	-
General Ledger	CSG Finance	Reasonable	-	-	5	1	-
S106 & CILS Follow-Up	Re Planning	Reasonable	-	1	1	1	-
Highways DLO	LBB Environment	Reasonable	-	-	4	1	-
Contract management: Sport & Physical Activity	LBB Adults & Health	Reasonable	-	-	4	-	-
Private Treaty Agreements	Re Regeneration	Reasonable	-	-	4	-	-
Disabled Persons Freedom Passes	CSG Customer Services	Reasonable	-	-	3	1	1
Public Sector Equality Duty (PSED) Compliance	LBB Commissioning	Reasonable	-	-	3	1	-
Business Continuity	LBB Business Continuity	Reasonable	-	-	2	1	-
Accounts Receivable – Debt Management and Collection	CSG Finance	Reasonable	-	-	2	-	-
Total		16	-	6	45	20	8

Internal audit work conducted (3 of 5)

Results of individual assignments – Substantial Assurance

Review	Primary Audit Area	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Review of use of the Project Management Toolkit, including consideration of Health and Safety Risks, for six projects	LBB Commissioning	Substantial	-	-	1	2	-
Customer Transformation Programme – Content Management System workstream	CSG Project Management Office	Substantial	-	-	-	4	-
Total		2	-	-	1	6	-

Results of individual assignments – claim and grant verification

Review	Primary Audit Area	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Troubled Families - Payment by Results – June submission	LBB Family Services	Claim verified	Compliance audit – ratings not assigned				
Local Transport Capital Block Funding (Pothole Action Fund)	Re Highways	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - Payment by Results – July submission	LBB Family Services	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - Payment by Results - September submission	LBB Family Services	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - Payment by Results - October submission	LBB Family Services	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - Payment by Results - March submission (1 of 2)	LBB Family Services	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - Payment by Results - March submission (2 of 2)	LBB Family Services	Claim verified	Compliance audit – ratings not assigned				
Local Authority Bus Subsidy Grant	LBB Street Scene	Claim verified	Compliance audit – ratings not assigned				
Total		8					

Internal audit work conducted (4 of 5)

Results of individual assignments – management letters

Review	Primary Audit Area	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Teachers Pensions Phase 1 – Statutory returns	CSG Pensions	Management letter issued	Management letter – ratings not assigned				
Income Generation – benchmarking report (Advisory)	LBB Commissioning	Management letter issued	Management letter – ratings not assigned				
Elections Management follow-up – June 2018	LBB Assurance	Management letter issued	Management letter – ratings not assigned				
Live Unlimited Charity – Financial Controls (Advisory)	LBB Family Services	Management letter issued	Management letter – ratings not assigned				
Payments data analytics and matching exercises	CSG Finance	Management letter issued	Management letter – ratings not assigned				
Performance management framework	LBB Commissioning	Management letter issued	Management letter – ratings not assigned				
Pensions Admin follow-up (Phase 1)	CSG Pensions	Management letter issued	Management letter – ratings not assigned				
Pensions Admin follow-up (Phase 2)	CSG Pensions	Management letter issued	Management letter – ratings not assigned				
Risk management framework	LBB Commissioning	Management letter issued	Management letter – ratings not assigned				
Total		9					

Internal audit work conducted (5 of 5)

Direction of travel

The following page shows direction of control travel for non-schools audits and a summary of 2018/19 planned audits that were completed after year end.

Report rating	Trend between current and prior year	Number of reports		
		2018/19	2017/18	2016/17
Substantial	↓	2 (8%)	4 (14%)	4 (11%)
Reasonable	↑	16 (67%)	17 (61%)	29 (78%)
Limited	↑	4 (17%)	7 (25%)	4 (11%)
No assurance	↓	2 (8%)	0 (0%)	0 (0%)
Advisory / compliance	N/A	17 (N/A – not rated)	21 (N/A – not rated)	13 (N/A – not rated)
Total	↓	41	49	50

Although overall the percentage of Limited and No Assurance ratings compared to the prior year is the same (25% in total), in 2018/19 there were two No Assurance reports issued (whereas in 2017/18 there were none).

Similarly, although the overall percentage of Reasonable and Substantial ratings compared to the prior year is the same (75% in total), in 2018/19 there were only two Substantial reports issued (whereas in 2017/18 there were four).

2018/19 audits completed in Q1 of 2019/20

Audit title	Report classification	C	H	M	L	A
Council Tax	Reasonable	0	0	3	2	0
Housing Benefit	Reasonable	0	0	3	0	0
NNDR	Reasonable	0	0	1	2	0
Disabled Facilities Grant	Reasonable	0	0	5	1	0
Re Operations Review Follow-Up	Partially Implemented	0	1	0	0	0
Follow-Up of CFO's Internal Controls Review	Partially Implemented	-	-	-	-	-
Investing in IT lessons learned (Advisory)	Management letter issued	Associated actions agreed				
General Data Protections Regulation (GDPR) Plan	Management letter issued	No significant issues noted				
Total		0	1	12	5	0

Delays to the delivery of planned audits were primarily due to the need to prioritise the internal audit work in response to the GT review and in some cases lack of engagement from auditees. These findings will be included in the 2019/20 opinion and have not been included in the analysis of internal audit work conducted in 2018/19.

Summary of schools audits (1 of 3)

Results of individual audits

In line with the Scheme of Financing Schools, the Chief Finance Officer is required to deploy internal audit to examine the control frameworks operating within schools under the control of the Local Education Authority ("LEA"). In 2018/19, Internal Audit performed 22 school visits and undertook 4 follow-up reviews. The results of the work are reported in the table below and in the section of this report entitled **Follow-up work conducted**.

Review	School type	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Tudor School	Primary	Limited	-	1	3	3	-
All Saints' CE Primary School, NW2	Primary	Limited	-	2	3	2	-
St Andrew's CE Primary School	Primary	Reasonable	-	1	2	3	-
Pardes House Primary School	Primary	Reasonable	-	-	2	6	-
St Agnes' Catholic Primary School	Primary	Reasonable	-	-	2	5	-
Brookland Infant School	Primary	Reasonable	-	-	2	4	-
Brookland Junior School	Primary	Reasonable	-	-	2	4	-
Moss Hall Infant School	Primary	Reasonable	-	-	5	2	-
St John's CE School, N20	Primary	Reasonable	-	-	2	3	-
Menorah Primary School	Primary	Reasonable	-	-	4	2	-
Fairway School	Primary	Reasonable	-	-	4	1	-
Northside School	Primary	Reasonable	-	-	5	3	-
Beit Shvidler School	Primary	Reasonable	-	-	4	1	-
Christ Church CE School	Primary	Reasonable	-	-	2	1	-

Summary of schools audits (2 of 3)

Results of individual audits

Review	School type	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Woodridge School	Primary	Reasonable	-	-	2	5	-
Finchley Catholic High School	Secondary	Reasonable	-	-	4	3	-
Deansbrook Infant School	Primary	Reasonable	-	-	3	2	-
St Vincent's Catholic School	Primary	Reasonable	-	-	2	3	-
Courtland School	Primary	Substantial	-	-	1	2	-
All Saints' CE School, N20	Primary	Substantial	-	-	1	3	-
Garden Suburb Infant School	Primary	Substantial	-	-	-	1	-
Our Lady of Lourdes Catholic School	Primary	Substantial	-	-	-	3	-
	Total	22	-	4	55	62	-

Summary of schools audits (3 of 3)

Direction of travel

Report rating	Trend between current and prior year	Number of reports		
		2018/19	2017/18	2016/17
Substantial	↔	4 (17%)	4 (17%)	2 (9%)
Reasonable	↓	16 (70%)	18 (75%)	19 (82%)
Limited	↓	3 (13%)	2 (8%)	2 (9%)
No assurance	↔	0 (0%)	0 (0%)	0 (0%)
Total		23	24	23

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

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

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

Commentary

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

The largest number of issues were identified in the areas of Asset Management, Governance, Purchasing and our review of the Schools Financial Value Standard (SFVS) return.

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

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

We are also checking that schools have up to date information on Governors on the school website.

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

School Financial Value Standard (SFVS) review: we were unable to confirm Governor review of benchmarking of financial data against similar schools, and an up to date declaration of business interests from some staff, in some schools.

Follow up work conducted (2 of 5)

Results of follow up work

Audit title	Number of agreed actions	Status of agreed actions at 31 March 2019			
		Implemented	Ongoing	Outstanding	Not yet due
Customer Support Group (CSG) – Invoicing and Monitoring Arrangements (June 2016)	1	1			
Highways Programme (March 2017)	3	3			
Regeneration – Benefits Realisation (October 2017)	7	7			
Transformation Benefits Realisation (December 2017)	7	7			
Accounts Payable (December 2017)	3	3			
Accounts Receivable (December 2017)	3	3			
Pensions Admin (January 2018)	10	8	2		

Follow up work conducted (3 of 5)

Audit title	Number of agreed actions	Status of agreed actions at 31 March 2019			
		Implemented	Ongoing	Outstanding	Not yet due
S106 and CILS Phase 1 - Expenditure (January 2018)	15	15			
Elections Management - Annual Canvass (January 2018)	8	8			
Staff Performance Reviews (March 2018)	2	2			
Fixed Asset Register (FAR) (March 2018)	3	3			
Non-Schools Payroll (March 2018)	1	1			
Housing Benefit (March 2018)	1	1			
Temporary and Interim Workforce (May 2018)	18	7	9	2	
Onboarding (June 2018)	4	3	1		
Review of Depot Arrangements (June 2018)	4	3	1		

Follow up work conducted (4 of 5)

Audit title	Number of agreed actions	Status of agreed actions at 31 March 2019			
		Implemented	Ongoing	Outstanding	Not yet due
Facilities Management (June 2018)	12	12			
Teachers Pensions (November 2018)	3	3			
Equalities data - quality and analysis (November 2018)	10	7	2		1
Banking and Payment Arrangements - Treasury (Bankline) (November 2018)	8	7	1		
Integra Access and Program Change Management ("APCM") (December 2018)	4	3	1		
Community Infrastructure Levy (CIL) and Section 106 (S106) Agreement Follow Ups (January 2019)	2	1			1
Schools Payroll (February 2019)	5	3	2		

Follow up work conducted (5 of 5)

Audit title	Number of agreed actions	Status of agreed actions at 31 March 2019			
		Implemented	Ongoing	Outstanding	Not yet due
St Pauls N11	1	1			
Tudor	1	1			
All Saints NW2	2	2			
St Andrews	1	1			
Totals	103	81	9		13

Although 81/90 actions (90%) have eventually been implemented they have been done so late, hence the quarterly performance indicator of 90% has not been met in any quarter during the year. In order to highlight where there is a recurrent lack of implementation a new 'slippage' column was added to the quarterly reports during the year.

Appendices

Appendix 1: Limitations and responsibilities

Appendix 2: Opinion types

Appendix 3: Basis of our classifications

Appendix 4: Performance of Internal Audit

Appendix 5: Changes to the 2018/19 published plan

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor's work

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

Opinion

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

Internal control

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

Future periods

Our assessment of controls relating to Barnet Council is for the period 1 April 2018 to 31 March 2019. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

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

Responsibilities of management and internal auditors

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

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

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

Appendix 2: Opinion types

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

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

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

Overall report classification

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

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

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

Individual finding ratings






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

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

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

Individual finding ratings – schools audits

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

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

Appendix 4: Performance of internal audit

Key performance indicators

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

KPI	Target	Performance	Comments
Effectiveness			
• % of recommendations accepted	98%	100%	Target achieved
• % of critical and high risk recommendations implemented	90%	82%	Target partially achieved*
Efficiency			
• % of plan delivered	95%	94%	Target partially achieved
Quality of Service			
• Average auditee satisfaction score	85%	100%	Target met

* Note that this reflects the best quarterly performance against this target (during Q4). In earlier quarters the performance was further below target as follows: Q1: 51%, Q2: 67%, Q3: 49%

Quality assurance and improvement programme

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

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

The Internal Audit function has continued to perform effectively, learning from previous years reviews and findings, for example:

- Internal Audit has increased the focus on high fraud risk areas for the Council through a number of joint reviews with the Corporate Anti-Fraud Team (CAFT).
- Internal Audit has implemented its actions raised through the Grant Thornton review of CPO Fraud, namely around:
 - *Developing the Terms of Reference*
 - *Weighting risks in Testing*

Appendix 5: Changes to the 2018/19 published plan (1 of 2)

The 2018/19 Internal Audit plan was approved by the Audit Committee in April 2018. There have been a number of changes to the plan since the date of approval. These have been reported to the Audit Committee within the quarterly progress reports but a summary of all changes made throughout the year is included in the table below.

Review	Change	Reason
Transformation Q1	Cancelled	Cancelled as Transformation Portfolio has reduced
KFS – Cash & Bank	Merged	Review merged into Banking and Payment Arrangements Review
Capital Programme	Cancelled	Cancelled as incorporated into Follow-Up of CFO's Internal Controls Review
Integra Issue Management	Deferred to 2019/20	Deferred as the priority was focus on the Integra Access and Program Change Management review
KFS – Non-Schools Payroll	Cancelled	Cancelled as 2017/18 review finalised in 2018/19
Scheme of Financial Delegation	Merged	Review merged into Follow-Up of CFO Financial Controls Review
Parking – PCN Cancellations	Deferred to 2019/20	Deferred due to priority being given to work following Grant Thornton review
Transformation Q3	Deferred to 2019/20	Deferred to 2019/20 as Outline Business Cases will not be ready until beginning of 2019/20
Data Management Procedures (IT Governance)	Deferred to 2019/20	Deferred to 2019/20 to spread IT reviews out
Highways Health & Safety	Deferred to 2019/20	Deferred to 2019/20 due to Grant Thornton review and also delay to Highways Programme audit
Mosaic lessons learnt	Merged	Merged into IT Project and Portfolio Management Review
Decision making framework - compliance	Deferred to 2019/20	Deferred to 2019/20 as Chief Officer decision approach only went live in September 2018

Appendix 1: Limitations and responsibilities

Appendix 2: Opinion types

Appendix 3: Basis of our classifications

Appendix 4: Performance of internal audit

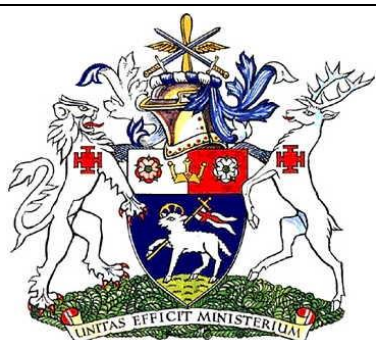
Appendix 5: Changes to the 2017/18 published plan

Appendix 6: Internal Audit Peer Review action plan

Appendix 5: Changes to the 2018/19 published plan (2 of 2)

Review	Change	Reason
Conduct Standards – compliance	Deferred to 2019/20	Deferred to 2019/20 due to Grant Thornton work taking priority on the plan and lack of resourcing
Better Care Fund - Finalisation of audit and fraud protocol with the Clinical Commissioning Group	Deferred to 2019/20	Deferred to 2019/20 due to new Governance arrangements in Joint Commissioning
Recruitment – ‘Vacancy Filler’ system	Deferred to 2019/20	Deferred to 2019/20 due to delayed implementation
Banking and Payment Arrangements: Cash & Bank	Deferred to 2019/20	Deferred to 2019/20 to be picked up alongside Accounts Receivable review in Q1 2019/20
Domestic Violence	Deferred to 2019/20	Deferred to 2019/20 due to secondment into Elections team and priority of Grant Thornton responses
Elections Quality Assurance – Advisory	Deferred to 2019/20	Deferred to 2019/20 as priority is implementation of audit actions due at end of Q1 and GT review.
KFS - Treasury Management	Deferred to 2019/20	Deferred to 2019/20 to be picked up alongside Accounts Receivable and Cash & Bank reviews
KFS - Revenue Budget Monitoring	Deferred to 2019/20	Deferred to 2019/20 due to insourcing of finance team and competing priorities
Brent Cross regeneration	Deferred to 2019/20	Deferred to 2019/20 due to secondment into Elections and Grant Thornton responses

AGENDA ITEM 9



Audit Committee

16 July 2019

Title	Annual Governance Statement and Code of Corporate Governance
Report of	Director of Assurance
Wards	None
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A: Annual Governance Statement 2018/19 Appendix B: Code of Corporate Governance 2019/20
Officer Contact Details	Clair Green, Director of Assurance, 020 8359 7719 clair.green@barnet.gov.uk Andrew Charlwood, Head of Governance, 020 8359 2014 andrew.charlwood@barnet.gov.uk
Summary	

The Council is required to produce an Annual Governance Statement (AGS), which is a statutory reported public statement which is included within the Statement of Accounts for 2018/19. The Annual Governance Statement outlines the governance framework, any significant governance issues and steps taken to mitigate those issues.

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

The report seeks approval for the Annual Governance Statement 2018/19 to be included alongside the Statement of Accounts.

Officer Recommendations

- 1. That the Committee comment on and approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2018/19 as set out in Appendix A.**
- 2. That the Committee comment on and note the Code of Corporate Governance 2019/20 as set out in Appendix B.**

1. WHY THIS REPORT IS NEEDED

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

2. REASONS FOR RECOMMENDATIONS

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

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

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

4. POST DECISION IMPLEMENTATION

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

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Annual Governance Statement and Code of Corporate Governance are public documents that shows that the council recognises that there are areas for improvement within our governance arrangements and framework.
- 5.1.2 The committee's scrutiny of their progress supports delivery of all three priorities in the Barnet 2024 Corporate Plan which are:
 - A pleasant well maintained borough that we protect and invest in

- Our residents live happy, healthy independent lives with the most vulnerable protected
- Safe and strong communities where people get along

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

5.1.4 Barnet Council has approved and adopted a Code of Corporate Governance via the Council's Constitution which is consistent with the principles of the CIPFA Delivering Good Governance in Local Government Framework 2016.

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

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

5.3 **Social Value**

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

5.4 **Legal and Constitutional References**

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

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

5.5 **Risk Management**

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

London Borough of Barnet policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

5.6 Equalities and Diversity

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

5.7 Consultation and Engagement

- 5.7.1 Not applicable

5.8 Insight

- 5.8.1 Not applicable

6. BACKGROUND PAPERS

- 6.1 Accounts and Audit Regulations 2015:
http://www.legislation.gov.uk/ukxi/2015/234/pdfs/ukxi_20150234_en.pdf
- 6.2 CIPFA / SOLACE – Delivering Good Governance in Local Governance Framework 2016 Edition:
<http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

This page is intentionally left blank

LONDON BOROUGH OF BARNET

Annual Governance Statement 2018/19



CERTIFICATION

To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2018/19 except for those areas identified in Section 7. We propose over the coming year to take steps to address the matters to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation on an on-going basis through the year and as part of our next annual review at the end of the 2019/20.

SIGNED: _____

Leader of the Council

Date: _____

SIGNED: _____

Chief Executive

Date: _____

1. INTRODUCTION

- Barnet Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.
- In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk.
- Barnet Council acknowledges its responsibility for ensuring that there is effective governance within the Council and as such has developed a Code of Corporate Governance that defines the principles and practices that underpin the governance arrangements operating within the Council.
- This Annual Governance Statement explains how the Council meets the requirements of regulation 6[1] and 6[2] of the Accounts and Audit Regulations 2015¹ in relation to the publication of a statement of internal control.
- The Council has a separate Code of Corporate Governance which will be reported alongside this Annual Governance Statement. The Code is consistent with the principles of the of Good Governance as set out in the CIPFA Delivering Good Governance in Local Government Framework 2016. A Code of Corporate Governance is also included within the Constitution which details the Good Governance principles. How the Council complies with the principles will be reported annually alongside the Annual Governance Statement.

2. GOVERNANCE

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

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

3. THE GOVERNANCE FRAMEWORK

- The governance framework encompasses the systems and processes, culture and values by which the Council is directed and controlled, together with the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor

¹ <http://www.legislation.gov.uk/uksi/2015/234/regulation/6/made>

the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, if operating effectively it cannot eliminate all risk and can only provide reasonable, not absolute assurance of effectiveness.
- The system is based on an on-going process designed to:
 - * make sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud;
 - * that public money is properly accounted for and is used economically, efficiently and effectively;
 - * that the Council operates in a lawful, open, inclusive and honest manner;
 - * that the Council has effective arrangements for the management of risk;
 - * that the Council enables human, financial, environmental and other resources to be managed efficiently and effectively;
 - * that the Council secures continuous improvement in the way that it operates;
 - * that the Council properly maintains records and information;
 - * that the Council ensures its values and ethical standards are met:
 - a. identify and prioritise the risks to achievement of the Council's policies, aims and objectives,
 - b. evaluate the likelihood of those risks being realised together with the impact should they be realised, and
 - c. manage them efficiently, effectively and economically.
- The governance framework has been in place within Barnet London Borough Council for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts.
- Where improvements in the governance framework are required (as outlined in section 7) they will be addressed in the coming year.

4. THE ANNUAL GOVERNANCE STATEMENT

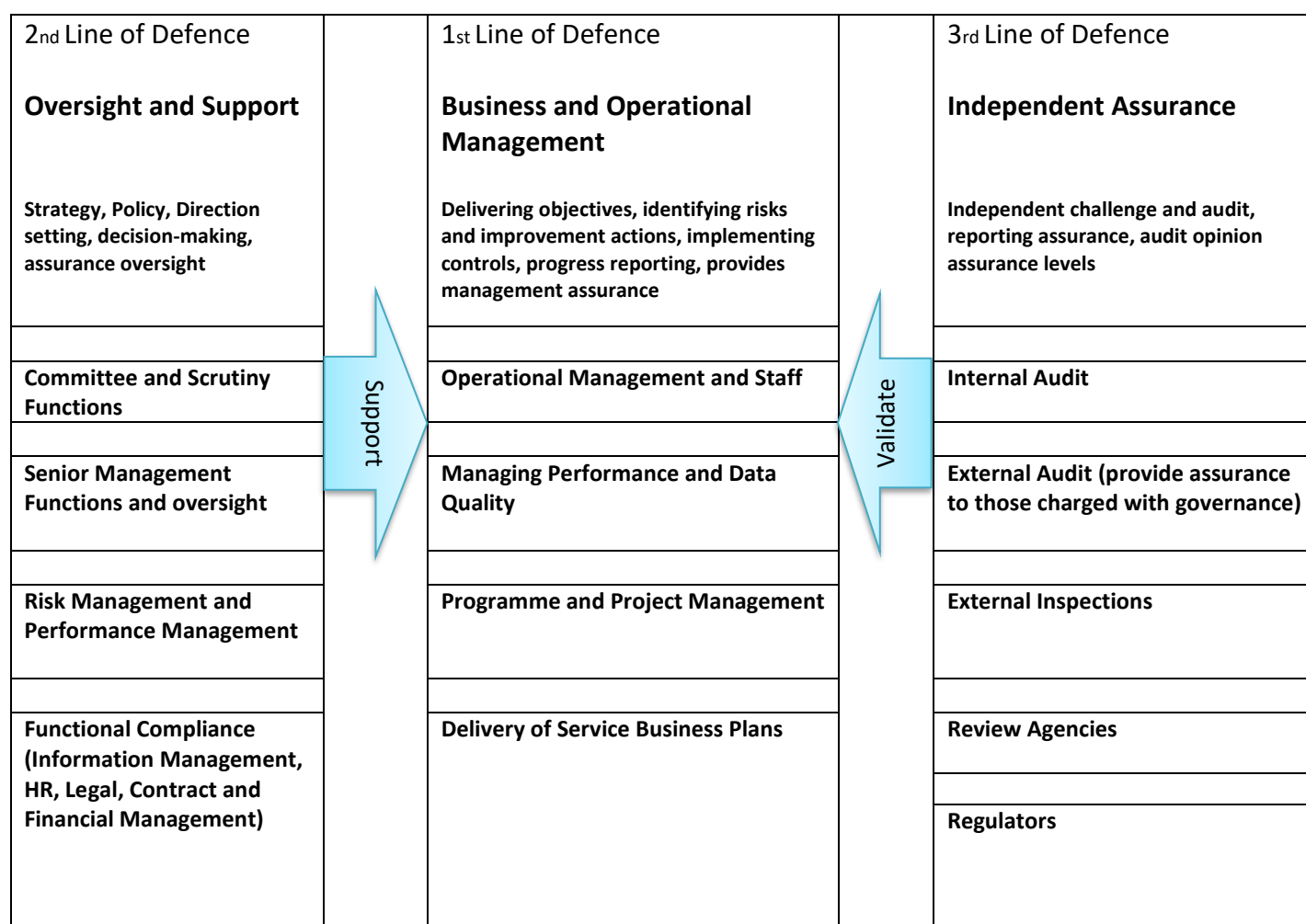
- The Annual Governance Statement is made up of statements that are underpinned by the assurance framework. The assurance framework enables Members and Senior Management to identify the principal risks to the Council's ability to meet its key objectives. Members and Senior Management can map out both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

The Three Lines of Defence in effective Risk Management and Control

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

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

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



5. HOW HAS THE ANNUAL GOVERNANCE STATEMENT BEEN PREPARED?

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

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

6. HOW DO WE KNOW OUR ARRANGEMENTS ARE WORKING?

Within this Annual Governance Statement, the Council has undertaken an assessment of significant governance issues and the progress made against these throughout the year. Any areas which have not yet been satisfactorily resolved will carry forward into 2019/20 and will continue to be monitored. Any issues that have been resolved to a satisfactory level during 2018/19 will no longer be monitored through the Annual Governance Statement, but will continue to be monitored through appropriate channels.

The Council are compliant with the CIPFA Delivering Good Governance in Local Government Framework 2016. How the Council complies with the Code is monitored annually and reported via a separate Code of Corporate Governance 2018/19 which is reported to the Audit Committee alongside this Annual Governance Statement.

7. SIGNIFICANT GOVERNANCE ISSUES

NEW ISSUES – EMERGING FROM 2018/19

7.1 Improvement of key services currently delivered through the Capita CSG and RE Contracts

A report was considered by the Policy and Resources Committee on 19 July 2018, which proposed a review of the Capita CSG and RE contracts. Three options were identified:

1. Maintain status quo;
2. Re-shape the contracts to bring some services back in-house; and
3. End the partnership with Capita.

The report proposed that a Full Business Case would be prepared to allow a final decision to be made later in the year.

A subsequent report to the Committee on 11 December 2018 concluded that significant further work would be required to form the basis of a sound recommendation in respect of the totality of the two contracts. That report recommended that the review be conducted on a phased basis and that the Finance and Strategic HR services be returned in-house (subject to the outcome of consultation) on 1 April 2019. That transfer has now taken place and work is progressing on Phase II of the Review covering Regeneration and Highways services.

A further report on phase II of the Review, covering Regeneration and Highways services, was considered by the Committee on 17th June 2019. As a result, it has been agreed that part of the Regeneration service (the Skills, Employment and Economic Development team and the Director of Place role) should be returned to the council. This will further strengthen strategic

control in a key area of the council's activities. It was also agreed that the Safety, Health and Wellbeing Service be returned to the council and that the remaining services should be reviewed alongside the year 6 (CSG) and year 7 (Re) contract reviews. A further report on the terms of reference for this will be considered by the Financial Performance and Contracts Committee in the autumn. Members of the Committee also noted the significant issues with the Pensions Administration service and instructed the Director of Finance to develop contingency arrangements, so that alternative provision of this service can be put in place, should the necessary improvements not be made.

This review is significant as it has enabled the Council to address a number of issues raised within the 2018 Annual Governance Statement and Annual Internal Audit Opinion. For example, data quality arrangements across many Council services are strong. However, there are several weaknesses highlighted in areas such as Human Resources. Bringing the Strategic HR function into the Council will enable progress in extending to HR the strong data quality and information management arrangements that exist in many services.

The direct control of the Finance service by the Council's Chief Finance Officer will enable tighter financial control to be exerted across the whole organisation.

Furthermore, accountability and clarity of roles and responsibilities can be strengthened. Previously, responsibility for addressing audit weaknesses in respect of Finance and Human Resources sat with CSG managers while overall accountability rested with senior Council officers. The changes to service delivery will allow decisive and effective intervention by Council officers and provide much greater clarity on roles, responsibilities and accountability.

Improving the quality of key services delivered through the Re and CSG contracts – notably pensions administration (see 7.4 below), highways, estates and user satisfaction with back office services will continue to be monitored as a significant issue for the council during 2019/20.

This area is also noted within the Annual Audit Opinion as an area requiring significant improvement – refer 7.7.

7.2 Emergency Planning and Organisational Preparedness

Under the Civil Contingencies Act 2004, London Borough of Barnet is defined as a Category 1 Responder. During any emergency that occurs in Barnet, the role of the Council is to support and assist the emergency services in life saving and operational activities; then take the lead during the recovery phase to ensure the community has a swift return to normality. The Council has a duty under the Act to plan for emergencies, exercise these plans and make the public aware of the hazards in their area and how to prepare them for an emergency.

In response to the required implementation of the new Resilience Standards for London (RSL) the Council has undertaken a wide-ranging and in-depth review of its emergency planning response and business continuity arrangements. The council recognised that in order to effectively support Barnet's communities in the event of emergency incidents within the Borough it needed to increase resources and the number of emergency response volunteers.

Within the Council there is a wide recognition of the changing nature of the external and internal risks and challenges to both Barnet's communities and the work of the Council. The ability of the Council to respond to those risks and challenges underpins the ability of the Council to have in place effective arrangements to manage risk while enabling the Council to manage its human, financial and environmental resources effectively in times of disruption. Hence, our emergency planning and business continuity arrangements (how we maintain service delivery in the event of incidents that could disrupt the Council's activities) have a key role in our ability to manage our resources, effectively, efficiently and economically.

Consequently the Council has put in place a new management structure and a Head of Organisational Resilience; rewritten its Contingency Management Plan; recruited more than 70 volunteers from amongst Council staff, its partner organisations and from the community to populate the updated response structures; delivered an extensive training and exercising programme which has rolled out 20 training sessions to all elements of the Council's emergency command and control structure; refreshed its key response plans for incidents in the Borough; rewritten its Business Continuity Plan; and has agreed a refreshed Business Continuity Management System.

The result of this extensive work programme has been to successfully roll out across the Council, the two key elements of the review:

1. The implementation of a refreshed Business Continuity Management System arrangements.
2. A refresh of the Council's emergency response arrangements making them compliant with Resilience Standards for London, an agreed set of common standards for emergency response by boroughs to incidents in London, that ensure a quality and uniform level of response and through commonality, to enable councils can support each other efficiently in the event of major incidents.

This work culminated in the Council's full participation in Exercise Safer City, a major London-wide exercise managed by the London Resilience Group and involving all London's 33 local authorities, the Metropolitan Police, London Fire Brigade, London Councils and the Ministry of Housing, Communities and Local Government and Housing, amongst others.

This major refresh of the Council's arrangements will be kept under annual review to ensure its continued effectiveness in supporting the Council's values and underpinning its ability to manage and mitigate the consequence of risk within the Council and across the Borough.

7.3 Governance of major capital programmes including Brent Cross Cricklewood Regeneration

The council has is expected to deliver over £350m of capital investment in 2019/20. Within this portfolio, the regeneration of Brent Cross Cricklewood is the most significant scheme. The scheme comprises three programmes:

- **Brent Cross Thameslink** – delivery of a new Thameslink station, 'Brent Cross West' and associated infrastructure to be funded through £420m Government grant and delivered by the council. The station is due to open in 2022.

- **Brent Cross South** – delivery of at least 7,500 homes, a significant new office location and associated community facilities and other infrastructure. The council has established a joint venture with Argent Related to deliver the scheme.
- **Brent Cross North** – the expansion of the Brent Cross Shopping Centre and delivery of major supporting infrastructure. To be delivered by the shopping centre owners – Hammerson and Aberdeen Standard Investments. This part of the programme is currently deferred.

The latter two projects have been a long time in the planning phases and both are expected to move into the delivery phase during 2019. The scale of the changes to be delivered in the borough, and of the spend, mean that the programme has a corporate significance beyond that of most regeneration projects. In terms of Brent Cross Thameslink, the council is exposed to the risk of cost overrun and grant clawback if the grant conditions, particularly key milestone dates, are not met. Many of the key dependencies to enable these milestones to be met are on the critical path for this year and there are a number of complex interfaces and dependencies that are managed at a programme level with a defined governance structure in place for escalation as required. The programme will also deliver wide ranging benefits to the council and the borough, including but not limited to, new homes to meet housing need, investment in infrastructure for the benefit of existing and new residents, and increased revenue from council tax and business rates. Monitoring against delivery of these will commence this year.

The programme has a comprehensive governance structure both within the council, reporting to Assets, Regeneration and Growth Committee (for strategic direction and regeneration related decisions), Policy and Resources Committee (for budget decisions) and Financial Performance and Contracts Committee (for monitoring of key delivery contracts such as the Implementation Agreement with Network Rail); and with Government partners. Progress, risk, issues, benefits realisation and finance are all reviewed monthly at Government Assurance Board (attended by LBB, Ministry of Housing Communities and Local Government, Department for Transport, Homes England, Greater London Authority, Transport for London and Infrastructure and Projects Authority).

In the coming year update reports on the overall project will be submitted to Assets, Regeneration and Growth Committee quarterly. Plans are being developed for how the scheme will report to Financial Performance and Contracts Committee now that the scheme has moved into the delivery phase. Through the Government Assurance Board, Government partners have agreed to a joined-up approach in relation to audit and assurance reviews, led by the Infrastructure and Projects Authority (IPA). The IPA undertook a review of the programme in November 2017 and a follow up is being arranged for late 2019.

There is a capital governance review underway to strengthen current arrangements across the wider capital programme which is investing in schools, highways and other assets across the borough.

7.4 Health and Care Integration

Care Quality Commission (CQC) is an independent regulator and health and social care in England. CQC inspects all NHS Trusts on a cyclical basis. In this financial year, Royal Free

Hospital (RFH) NHS Foundation Trust was inspected in December 2018 and it was rated 'Requires Improvement' in a report published in May 2019. The main three areas requiring improvements were patient safety, responsiveness and leadership. Full report can be found here <https://www.cqc.org.uk/location/RAL01/inspection-summary#safe>.

In summary, the key points raised were:

- Incidents were not dealt with in a timely matter and lessons learnt were not implemented at pace adequate to prevent future occurrences;
- Clinical leadership in surgical theatres needed to be addressed to prevent bullying and allow for quality improvements;
- Some of the recommendations from CQC inspection in 2016 on responsiveness have not yet been implemented.

However, CQC also commended the RFH on a range of good practices, including innovation in clinical practice, good management of infection control and patients being treated in a respectful and dignified manner.

Health Overview and Scrutiny Committee invited Dr Chris Streater, Chief Medical Director and Deputy Chief Executive Officer of the RFH to May meeting and he reassured the Committee that a number of incidents did significantly reduce since inspection was undertaken and that the Senior Executive Board is fully cited on CQC improvement plan that will be brought back to HOSC for scrutiny in July.

All other NHS Trusts that treat Barnet residents are expecting CQC inspection during 2019/20 and 2020/21.

Previous CQC ratings were 'Good' for Central London Community NHS Trust in 2017 and Central and North-West London in 2017/18 (with outstanding rating for sexual health services that LBB commissions) and 'Requires Improvement' for Barnet, Enfield and Haringey (BEH) Mental Health Trust in 2017/18. BEH services and mental health services were considered by the Health and Wellbeing Board regularly in 2017/18 as a result of their inspection report and an improvement plan is in place.

EXISTING ISSUES – CARRIED FORWARD FROM 2017/18

7.5 Improvement of Children's Services

The improvement of Children's Services was highlighted as a significant issue in the Annual Governance Statement in 2016/17 and 2017/18. This continued to be a significant priority for the Council and therefore remained as a priority in the AGS for 2018/19.

Ofsted undertook an inspection of services for children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the Local Safeguarding Children Board in April/May 2017. Ofsted judged these services to be 'inadequate' and made 19 recommendations for improvement. The council fully accepted the findings of the Ofsted report and has since worked to implement the Improvement Plan which

sets out the actions and journey we need to make to transform our social care services for children, young people and their families from inadequate to good/outstanding.

Since that point several arrangements have been put in place to drive improvement and ensure that the plan delivers at sufficient pace. These included: a Department for Education (DfE) appointed commissioner, a DfE approved Improvement Partner, which is Essex County Council; an independently chaired Improvement Board, with representation from across the council and partner agencies; and regular progress updates to the Children, Education & Safeguarding (CES) committee on the Barnet Children's Services Improvement Action Plan. The Children's Committee continues to receive updates on progress on improvement. Investment has been made into children's services, a combination of £7m for service/placement pressures and £4m for improvement activity between 2017/18 and 2019/20.

In May 2018 the DfE agreed that the Council no longer required a commissioner and would continue to work with Essex and the Independent chair.

Ofsted have now conducted six monitoring visits (November 2017, February 2018, April 2018, July 2018, November 2018 and February 2019) and our next visit will be a full Inspection of Local Authority Children's Services (ILACS). Recent monitoring reports have concluded that the Council has continued to focus steadily on developing and delivering improvements, and that progress and change has been sustained across different areas of practice. However, reports have also identified that changes and improvements are not always fully embedded. Inspectors have found strong practice in some areas, for example the Multi-Agency Safeguarding Hub (MASH), but that practice in some areas is not yet of a consistently good quality.

On 3rd May 2019 OFSTED began the three- week full ILACS (Inspection of Local Authority Children's Services). This will be the first full inspection following the Single Inspection undertaken two years ago in which the council was judged inadequate.

The outcome from the Inspection of Local Authority Children's Service in Barnet was graded as **Good** by OFSTED against each of the four judgements set out below.

The outcome represents the huge amount of work that has gone into driving improvements for children and young people across the board. The inspection recognised the work of Family Services, staff across the council, Members and our partners.

- The impact of leaders on social work practice with children and families: Good
- The experiences and progress of children who need help and protection: Good
- The experiences and progress of children in care and care leavers: Good
- Overall effectiveness: Good

OFSTED concluded that: *"Services for children in Barnet are good, and much improved from the services that were found to be inadequate in 2017. Leaders and managers have made purposeful progress, at pace, to establish a child-focused service that is delivering good outcomes"*.

OFSTED has made four recommendations for further improvement which we are already beginning to address:

- The incorporation of actions from the vulnerable adolescents at risk panel (VARP) and exploitation strategy meetings into child in need and child protection plans
- The updating of assessments of need when circumstances change for children in care
- The incorporation of outcomes from multi-agency risk assessment conferences (MARACs) into child in need and child protection plans
- The promotion of advocacy support for children in care.

These issues will no longer be monitored through the Annual Governance Statement process however ongoing service improvements will continued to be monitored through the Children's, Education and Safeguarding Committee.

7.6 Pensions Administration

In 2016/17 concerns were identified relating to pensions administration and further issues led to Regulatory Intervention by the Pensions Regulator to the London Borough of Barnet Pension Fund. Since then the council has been engaging closely with the Pensions Regulator to address these issues.

Issues have remained unresolved in 2018/19 in relation to data quality and issues in relation to admissions agreements and bonds have emerged. A report by Hymans Robertson to the Pension Fund Committee identified that pension fund membership data had a significant number of errors which would impact on the 2019 valuation of the fund. Hymans Robertson recommended that immediate action was taken by the administrator to address the critical errors and warnings as the valuation could not proceed without them being resolved.

During the year, it also emerged that some admission agreements and bonds had not been in place. These are being followed up urgently.

Since the data quality issues were identified, data cleanse activity to date has improved data quality. Independent analysis of data conducted by Hymans Robertson has confirmed critical errors as at the 31 March 2019 have been reduced by 88%. Further data cleanse activity is being undertaken by the Pension Fund Administration provider and will continue to be monitored by the council during 2019/20. In addition to this there are fortnightly meetings in place with the provider to assess their plan to ensure Annual Benefit Statements are sent to members by the end of August and the Teachers Pensions Return is submitted on time with audit queries dealt with swiftly. These meetings ensure that the provider's plan is on track and where evidence of issues arise, these can be escalated to senior management and Members as appropriate to ensure resolution. There is also ongoing communication with unions and individuals around queries and / or issues with their individual pension in an effort to resolve these.

The scheme remains under scrutiny by the Pensions Regulator and considerable effort is going into ensuring CSG internal controls are robust, data held is correct and into reporting Scheme Manager activity back to the Pensions Regulator.

This area will continue to be monitored as a significant issue during 2019/20.

7.7 Annual Internal Audit Opinion; ‘Limited Assurance’ on the Internal Control Environment of the Council

Each year the work of Internal Audit is summarised to give an overall opinion on the system of internal control and corporate governance within the Council. This is a requirement of the Public Sector Internal Audit Standards (PSIAs).

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

The Limited Assurance opinion reflects that fact that during 2018/19 a significant amount of the Internal Audit team’s time was spent following-up the Grant Thornton review of the Compulsory Purchase Order (CPO) fraud. As at 31 March 2019, 4 of the 32 GT actions remained Partly Implemented. The need to prioritise this work meant that other planned audits, particularly of in-house services, were deferred.

This rating is consistent with the 2017-18 annual opinion. Overall the percentage of Limited and No Assurance ratings compared to the prior year is the same (25% in total), However, in 2018/19 there were two No Assurance reports issued (whereas in 2017/18 there were none). Similarly, although the overall percentage of Reasonable and Substantial ratings compared to the prior year is the same (75% in total), in 2018/19 there were only two Substantial reports issued (whereas in 2017/18 there were four).

The majority of audit work completed during the year was to address key risks associated within the operation of the Council’s support functions provided by Capita, whereas there was less coverage of the Council’s in-house services than in previous years. These corporate back-office functions support all of the Council’s activities and underpin effective service delivery.

Although improvement has been shown in some areas, particularly in the second half of the year, the opinion summarises that there is still significant work needed to embed these improvements and address known weaknesses and non-compliance in the framework of governance, risk management and control which put the achievement of organisational objectives at risk.

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

- **Financial control and fraud risk**
- **CSG Assurance Framework and Service Delivery**
- **Data quality and integrity**
- **Compliance / Policies and procedures**

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

7.8 Financial Control and Fraud Risk

Following the internal fraud case that came to light late in December 2017, the council commissioned a full independent review of financial controls and financial forensic analysis through Grant Thornton. The findings of this report and the associated action plan was presented to and monitored through the Audit Committee during 2018/19.

The report was substantial with a total of 32 recommendations. Broadly the report identified the following:

- Issues with a lack of control in the Regeneration team in Re and in the outsourced finance function; and
- Insufficient oversight from the council.

10 of the recommendations were rated High with the other having a Medium status. All of the 32 actions recommended, with the exception of four, have been implemented and tested to be in place by Internal Audit. The four actions that have not been completed (3 rated High and 1 rated Medium) have been identified to be partly implemented and their progress will continue to be monitored and reported through associated audits in 2019/20.

The full report can be found on the councils website under [Financial controls | Barnet Council](#) (or can be accessed through this link [here](#)).

Whilst a lot of work has been undertaken to implement and tighten financial controls, in the coming year, further work will be undertaken to ensure these controls and financial governance is embedded across the organisation and its strategic partners and operating effectively. We will also be considering the effectiveness of our current arrangements for gaining assurance over financial and internal controls for services that our run by our strategic partners. As part of this work an Internal Controls Board has also been initiated to ensure officers and partners across the organisation are implementing the recommendations made by Internal Audit.

This area is also noted within the Annual Audit Opinion as an area requiring significant improvement – refer 7.7.

Therefore, this area will continue to be monitored as a significant issue during 2019/20.

7.9 Barnet's Fire Safety

Following the tragic fire on 14 June 2017 at Grenfell Tower in the Royal Borough of Kensington and Chelsea, this was identified as a significant governance issue and reported in 2017/18 Governance statement and the progress made during 2018/19 are set out below.

Since June 2017, the Housing Committee has received a number of reports on fire safety relating to high rise blocks in the borough across all housing tenures, and on how the council has been working with the Government and other agencies to address any concerns.

The Housing Committee has agreed an investment package of £51.9m to improve fire safety in council homes, which includes carrying out more intrusive type 3 fire risk assessments (FRAs) on the council's low and medium rise flatting housing stock during 2019/20. These type 3 FRAs could result in further issues that need to be addressed, and because of this potentially a significant issue that will continue to be monitored through the Annual Governance Statement during 2019/20.

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

During 2016/17 it was identified that oversight, accountabilities and roles and responsibilities across commissioning, finance and contract management were a key area for improvement. This carried forward into the 2017/18 AGS.

During summer 2017 the council undertook a Performance Governance Review designed to:

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

Since the review was undertaken, several changes across the different areas have been delivered.

Roles and Responsibilities

In relation to clarity of roles and responsibilities relating to the council's key strategic contracts, the Chief Executive undertook a review of the senior management structure and reported this to the Constitution & General Purposes Committee in January 2019. The changes were based on several design principles including: retaining control of strategic functions; integrating commissioning and delivery functions; simplifying and clarifying roles and lines of accountability; implementing an ideal management span; flatter structure and reduced hierarchy; fewer but more highly skilled roles; and consistency between grades and role titles.

The principles were consistent with the council's approach to improving its operations and governance including: strengthening oversight and the financial control environment; increased control of strategic functions; clarifying lines of accountability, roles and responsibilities; signalling the importance of financial management and prevention for the council's financial sustainability; improving consistency with regard to spans of control and

role titles; and moving away from a commissioning / delivery structural split, replaced by a service-focused directorate structure.

The revised senior management structure was implemented on 1st April 2019 and was supported by updated Chief Officer Schemes of Delegation.

Internal Governance, Contract Management and Performance Reporting Arrangements

Since the instigation of the Performance Governance Review, a refreshed contract management framework and governance structure for strategic contracts has been implemented in collaboration with partners, especially CSG and Re. Improvements made include: standardised monthly meetings across each service area within the strategic contracts; comprehensive performance information dashboards bringing together indicators; risk; audit recommendations; and more clearly defined escalation processes. These have been supported by a revised Contract Management Handbook clearly setting out roles and responsibilities and processes. In terms of performance management across the council, a streamlined performance framework has been put in place across all council areas. The revised contract management and performance reporting arrangements that were identified during the Performance Governance Review have been implemented and embedded across the council.

These issues will no longer be monitored through the Annual Governance Statement process.

8. CONCLUSION

To summarise, the following governance issues will be key the council's key priorities and focus in the coming year: -

- Pensions Administration
- Financial Control and Fraud Risk
- Improvement of key services currently delivered through the Capita CSG and RE Contracts
- Internal Control Improvements as detailed through the Internal Audit Opinion
- Barnet's Fire Safety Arrangements
- Health and Care Integration
- Emergency Planning and Organisational Preparedness
- Governance of major capital programmes including Brent Cross Cricklewood Regeneration

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

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

This page is intentionally left blank

Barnet Code of Corporate Governance 2018/19

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

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

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

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

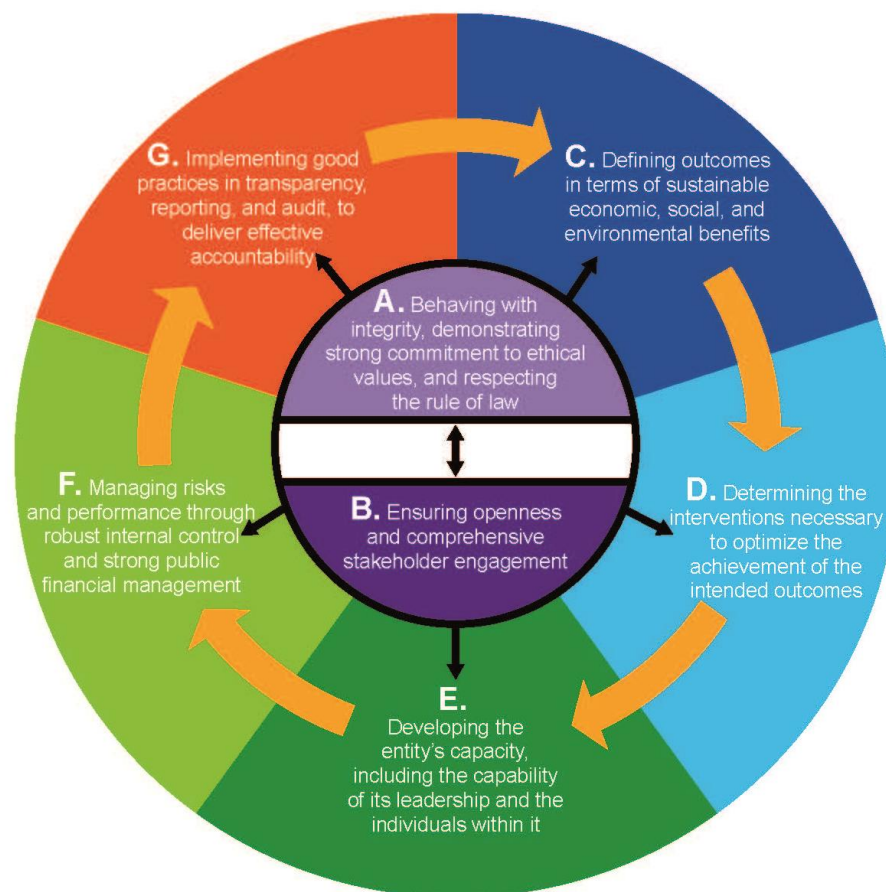
The CIPFA Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance.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

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

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

Principles of Good Governance

Relationships between the Principles for Good Governance in the Public Sector



A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Supporting Principles	How the Principles are met by the Council
Ensuring Members behave with integrity and develop robust policies which place emphasis on agreed ethical values.	The Seven Principles of Public Life (the Nolan Principles) are established within the Members Code of Conduct guiding them to lead by example and providing a framework for decision making and other actions. The Council's Monitoring Officer is responsible for promoting and maintaining high standards of conduct.
Seeking to establish, monitor and maintain the Council's ethical standards and performance.	The Constitution & General Purposes Committee ensure this principle is applied throughout the Council. A separate Standards Committee is in place to determine unresolved complaints against Councillors.
Ensuring that external providers of services on behalf of the Council are required to act with integrity and in compliance with ethical standards.	Contractors must act in compliance with all relevant council policies and the law.
Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.	All committee reports subject to clearance procedure to ensure decisions taken are compliant with the budget and policy framework, the law and the council's constitution. Comprehensive schemes of delegation in place detailing how chief officers will discharge the statutory powers within their remit. Assurance Group is responsible for governance and compliance and includes Internal Audit, Governance and the statutory Monitoring Officer. Members oversight is through the Audit Committee and Constitution & General Purposes Committee.
Dealing with breaches of legal and regulatory provisions effectively.	Appropriate action is taken by the Council's legal services (Harrow & Barnet Public Law) with oversight by the Monitoring Officer in liaison with officers within the Assurance Group.

Ensuring corruption and misuse of power are dealt with effectively.	Monitoring Officer and Corporate Anti-Fraud team fully in place within the Assurance Group.
---------------------------------------------------------------------	---------------------------------------------------------------------------------------------

B. Ensuring openness and comprehensive stakeholder engagement.	
Supporting Principles	How the Principles are met by the Council
Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used.	Committee reports cover the options available and the reasons for recommendations. Every report sets out why the report is needed, reasons for the recommendation(s) and alternative options considered but not recommended. Where an officer's recommendation is not agreed by a committee, minutes of meetings will record the reasons for decisions. Delegated powers reports by officers will also record reasons for decisions.
Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully.	Where formal partnerships exist between institutional bodies joint strategies and plans are developed in a collaborative way and jointly adopted through a joint body. Examples include the Safer Communities Strategy and Health & Wellbeing Strategy. In addition, the Project Management Toolkit has a section on Stakeholder Engagement.
Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.	A number of partnerships are in place to support work in specific joint areas including community safety (Safer Communities Partnership Board), health and social care (Health & Wellbeing Board) and sub-regional joint working (West London Economic Prosperity Board)
Ensuring that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the	

added value of partnership working is explicit.	
Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service provision is contributing towards the achievement of intended outcomes.	A Consultation & Engagement Strategy is in place which details the type of decisions that the council will consult on, who we will consult with and how feedback will inform decisions taken. Consultation takes place on any issue that affects residents such as service or policy changes, or various statutory processes (such as planning, traffic or highways matters).

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	
Supporting Principles	How the Principles are met by the Council
Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions.	As set out in the Corporate Plan, Budget and Medium Term Financial Strategy. Corporate Plan performance indicators regularly reported to the Policy & Resources Committee and theme committees.
Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.	Impact of decisions will be evidenced in council committee reports (councillors) and in delegated powers reports (officers). Equality issues will be further evaluated within equality impact assessments.

Delivering defined outcomes on a sustainable basis within the resources that will be available.	Corporate Plan, Budget and Medium Term Financial Strategy set out Council's strategic priorities and how resources will be allocated to support these.
Identifying and managing risks to the achievement of outcomes.	Risk Management Framework is in place and a Corporate Risk Register is maintained. Mitigating actions are put in place where required. Risks reported periodically to Directors, Policy & Resources Committee, theme committees and the Financial Performance & Contracts Committee.
Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available.	Where appropriate, and in compliance with statutory duties, public consultation is carried out with service users. The Council also maintains an effective Citizens Panel which informs priorities and resource allocation.
Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision.	Committee reports cover this principle and strategic cross-borough planning is also undertaken in liaison with the Mayor of London.
Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.	Committee reports also cover this principle together with the Medium Term Financial Strategy.
Ensuring fair access to services.	Committee reports will cover equality legislation and ensure that decision-makers are aware of impact upon citizens with the protected characteristics; the Council is additionally concerned to have regard to impacts upon other disadvantaged local citizens.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes	
Supporting Principles	How the Principles are met by the Council
Determining the right mix of corporate (legal, assurance, regulatory, and finance) interventions to ensure intended outcomes are achieved.	The Chief Executive in liaison with Chief Officers carries out this determination quarterly in liaison with chief officers.
Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.	Committee reports detail post-decision implementation steps. If outcomes are not delivered, the relevant chief officer will ensure that the decision is reviewed and remedial steps taken.
Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and of associated risks – therefore ensuring best value is achieved however services are provided.	Chief Officers and their direct reports evaluate options and give appropriate advice to decision-makers. Committee reports include sections on 'Alternative options considered and not recommended' and 'Risk management'.
Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available.	Feedback from public consultations and the Citizens Panel is set out within relevant committee reports and delegated powers reports and brought to the attention of decision-makers.
Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.	Quarterly reporting to the Policy & Resources Committee, theme committees and Financial Performance & Contracts Committee including results of key performance indicators and the management of strategic contracts. In addition, a planned programme of work is undertaken by Internal Audit.

Considering and monitoring risks facing each partner when working collaboratively, including shared risks.	Shared risks are identified in a register and reviewed at least quarterly; significant risks facing each partner are subject to quarterly review.
Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances.	When making a decision, or making recommendations to Members regarding a preferred option, chief officers take into account the following: delivery of high quality services; value for money; and the scope to vary arrangements to take into account changing circumstances.
Establishing appropriate key performance indicators (KPIs).	The Corporate Plan details the KPIs required to deliver the council's objectives.
Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.	As set out within the Constitution – Financial Regulations and Budget and Policy Framework Procedure Rules.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	
Supporting Principles	How the Principles are met by the Council
Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.	A Strategic Asset Management Plan provides a strategic approach to the management of property assets (approved and overseen by the Assets, Regeneration & Growth Committee) is in place. Performance reports are presented to all main committees and to the Performance & Contract Management Committee which detail KPIs and financial monitoring. Chief Officers are responsible for the performance of services within their remit and a Commercial Team is in place for oversight and management of key strategic contracts.

Improving resource use through application of techniques such as benchmarking to determine how resources are allocated so that defined outcomes are achieved effectively.	CIPFA benchmarking exercises are undertaken across the Council. Best practice reviews are undertaken as part of service improvement initiatives.
Recognising partnership benefits and collaborative working where added value can be achieved.	Full engagement through the Barnet Partnership Board, sub-regional partnerships (such as the West London Alliance), the Mayor of London and Greater London Assembly, London Councils and with public sector partners, particularly Health and the Police.
Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.	Council Constitution is explicit about which decisions are reserved to Council or committees and which are delegated to officers. Chief officers maintain schemes of delegated authority that are published and regularly updated.
Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services set by members.	Council Constitution details the roles and responsibilities of the leader (Article 6) and chief executive (Article 9). The leader and councillors set the councils' priorities and strategic direction; the chief executive is responsible for delivering priorities supported by chief officers.
Developing the capabilities of members and officers, including induction, continuing professional development training, and lessons learnt from governance weaknesses.	<p>A Member Development Programme is agreed and implemented during each council cycle. Members must attend mandatory training before serving on some committees and are strongly encouraged to keep their knowledge and skills up to date in relation to the committees that they serve on. The Council will work towards achieving Charter Status for the Programme.</p> <p>Officers have an induction programme and a corporate learning and development programme in place. Where governance weaknesses are identified, remedial actions are put in place and delivery is monitored.</p>

Ensuring that there are structures in place to encourage public participation.	Public participation rights are set out in the Constitution (Article 3); decisions that affect residents are usually the subject of public consultation.
Holding staff to account through regular performance reviews which take account of training or development needs.	Performance Related Pay is in operation within the Council. Performance Reviews take into account training / development needs and ensure that these are addressed.
Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.	Arrangements are put in place by Human Resources with oversight by the Constitution & General Purposes Committee (which has responsibility for HR matters).

F. Managing risks and performance through robust internal control and strong public financial management	
Supporting Principles	How the Principles are met by the Council
Implementing robust and integrated risk management arrangements and ensuring that responsibilities for managing risks are clearly allocated.	A Risk Management Framework in place with officer responsibilities clearly allocated. Strategic risks reported to the Policy & Resources Committee, theme committees, the Financial Performance & Contracts Committee and chief officers.
Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.	Chief Officers are responsible for delivering services within their respective portfolios including specifying outcomes/outputs, monitoring performance, contract management and post-implementation reviews. Internal Audit provide independent assurance on key financial systems and areas of service delivery on a risk based approach.

Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.	All committee reports and delegated powers reports require information on relevant risks.
Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making.	A 'Committee System' governance structure is in place (distinct from a Leader/Cabinet model) which permits cross-party political discussion at all committee meetings on major strategic decisions.
Providing Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.	Regular reports the Policy & Resources Committee, theme committees, the Financial Performance & Contracts Committee, plus to chief officers.
Ensuring effective counter fraud and anti-corruption arrangements are in place.	Responsibilities are set out within the Constitution and Code of Conduct. In addition, the Corporate Anti-Fraud Team is in place within the Assurance Group with the necessary specialist skills to undertake various types of investigation.
Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.	Assurance undertaken by Internal Audit within the Assurance Group with a plan of work being approved by the Audit Committee on an annual basis.

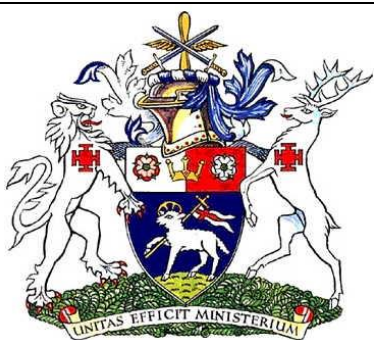
Ensuring an Audit Committee or equivalent group function provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment.	Assurance provided by the Policy & Resources Committee, theme committees, the Financial Performance & Contracts Committee as well as by the Audit Committee.
Ensuring effective arrangements are in place for data use and storage and when sharing data with other bodies.	Arrangements in place with the Information Management Team and Insight.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	
Supporting Principles	How the Principles are met by the Council
Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style.	Report writing guidance is in place to clarify information required in each section of reports. Officers, via the report clearance process, review the content and structure of reports to ensure that they can be understood by the public and stakeholders. Project work to be undertaken by the Assurance Group to ensure that reports are easy to understand and not unnecessarily complex.
Providing sufficient information to satisfy transparency demands while not being too onerous for users to read and understand.	Open Data Portal – Council website
Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework	The Council produces an Annual Governance Statement which provides a self-assessment of compliance with the Framework and actions to be

have been applied and publishing the results on this assessment, including an action plan for improvement.	undertaken to address governance or practice weaknesses which is reported to the Audit Committee.
Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate.	Included within Commercial and Assurance arrangements
Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.	In place through Internal Audit and the tracking of recommendations via quarterly Audit Committee reporting.
Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement.	<p>Via contract clauses within our contracts with Capita, Cambridge Education and Barnet Group the council have the right of access to their records and internal audit reports. The council can also undertake our own audits of their systems and processes and this right is exercised – protocol / liaison meetings are in in place to support this</p> <p>Chief Officer structure details accountability lines for services and portfolios of activity. Public accountability requirements met via publication of committee information on the website, opportunities for public participation, consultation on key decisions, Freedom of Information requests and information on the Open Data Portal.</p>

This page is intentionally left blank

AGENDA ITEM 10



Audit Committee

16 July 2019

Title	Annual Report of the Audit Committee 2018-19
Report of	Chairman of the Audit Committee
Wards	N/A
Status	Public
Enclosures	Appendix A – Annual Report of the Audit Committee 2018-9 <ul style="list-style-type: none"> ○ Annex 1 –Schedule of Planned and Unplanned Work 2018-19
Officer Contact Details	Clair Green, Director of Assurance clair.green@barnet.gov.uk

Summary

The Constitution under Responsibility for Functions includes the following within the Audit Committee's terms of reference:

"The Audit Committee shall prepare a report to Full Council on an annual basis on its activity and effectiveness."

The attached Annual Report describes how the Audit Committee meets its objectives as well as detailing the work of the Committee to date and the outcomes it has achieved for 2018-19

Recommendations

1. That the Committee recommend Full Council to note and approve the Annual Report of the Audit Committee for 2018-19 as an accurate record of the outcomes and work programme for the year.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Annual Report describes the work of the Committee to date and the outcomes it has achieved for 2018-19.
- 1.2 The Committee is asked whether they wish to make any amendments and note that the report will be presented to Full Council in due course.

2. REASONS FOR RECOMMENDATIONS

- 2.1 It is a Constitutional requirement for the Audit Committee to present an Annual Report to full Council each year.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None.

4. POST DECISION IMPLEMENTATION

- 4.1 Once agreed by the Committee the report will be sent to the next Full Council meeting.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

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

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

- 5.2.1 None in context of this report

5.3 Social Value

- 5.3.1 None in the context of this report

5.4 Legal and Constitutional References

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

- 5.4.2. The Audit Committee's terms of reference are noted in the Council's Constitution under responsibility for functions. Function 16 of the terms of references requires that the Audit Committee "shall prepare a report to Full Council on annual basis on its activity and effectiveness".

5.5 Risk Management

5.5.1 None in context of this report

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 to assist with 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

N/A

5.9 Insight

5.9.1 None in the context of this decision

6. BACKGROUND PAPER

None

This page is intentionally left blank

Appendix 1

Audit Committee Annual Report 1st April 2018 – 31st March 2019

Cllr Rohit Grover
Chairman of the Audit Committee
July 2019

Contents

- 1. Introduction and overview**
- 2. Summary of Audit Committee outcomes during 2018-19**
- 3. Conclusions**
- Annex 1 –Schedule of actual work 2018-19**

1. Introduction and Overview

1.1 Good corporate governance requires independent, effective assurance about both the adequacy of financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. Good practice from the wider public sector indicates that these functions are best delivered by an independent audit committee. In this context, "independence" means that an audit committee should be independent from any other executive function. Further, the National Audit Office regards "well-functioning Audit Committees as key to helping organisations achieve good corporate governance".

1.2 It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.

Specifically:

1.2.1 **independent assurance** of the adequacy of the control environment within the authority;

1.2.2 **independent review** of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and

1.2.3 **assurance** that any issues arising from the process of drawing up, auditing and certifying the authority's annual accounts are properly dealt with and that appropriate accounting policies have been applied.

1.3 Effective audit committees can bring many benefits to local authorities and these benefits are described in CIPFA's *Audit Committees - Practical Guidance for Local Authorities* as:

1.3.1 raising greater awareness of the need for internal control and the implementation of audit recommendations;

1.3.2 increasing public confidence in the objectivity and fairness of financial and other reporting;

1.3.3 reinforcing the importance and independence of internal and external audit and any other similar review process (for example, providing a view on the Annual Governance Statement); and

1.3.4 providing additional assurance through a process of independent and objective review.

1.3.5 Effective internal control and the establishment of an audit committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, an audit committee:

➤ **can give additional assurance through a process of independent and objective review**

➤ **can raise awareness of the need for sound control and the implementation of recommendations by internal and external audit**

1.4 **Audit Committee at Barnet Council**

The Council's Constitution includes the terms of reference for the Audit Committee, defining its core functions. The terms of reference describe the purpose of the Audit Committee as being:

“to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority’s financial and non-financial performance to the extent that it affects the authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process.”

- 1.4.1 To bring additional expertise from the sector and financial capability the Audit Committee also has two independent members.
- 1.4.2 The Audit Committee has a work programme that has been drawn up to effectively discharge its responsibilities as defined by the terms of reference.
- 1.4.3 The Committee relies upon independent, qualified professionals to provide assurance. Directors and Assistant Directors (or equivalent grade) have attended Committee to support the process and to aid in the Committee’s effectiveness/understanding.
- 1.4.4 During the year 2018-19 the Committee undertook all its meetings in the public domain. There have been three instances whereby items have been considered exempt and have been discussed in Part 2 of the meeting. These were:
 - 19 April 2018, Verbal Update - Confidential Investigation
 - 17 July 2019, Agenda Item 7 - Report of the Chief Executive, Appendix 1: Draft report by Grant Thornton “Review of the financial management of regeneration projects.
 - 22 November, Agenda Item 7 – Report of the Chief Executive, at the request of the Committee, the unredacted version of the following;
 - Appendix 1d: Annex 2 – Review of Financial Management relating to CPO Fraud
- 1.4.5 From the Local Election in May 2018 to the present, the Audit Committee has been chaired by two Councillors, both members of the Administration;
 - Councillor Anthony Finn from May 2018 to May 2019
 - Councillor Rohit Grover from May 2019 to the present

With regards to the rest of the Committee following Local Elections two new Members were appointed in May 2018, Councillor Alex Prager and Councillor Alex Jajeh -they replaced former Councillor Hugh Rayner and former Councillor Sury Khatri.

- 1.4.6 Between May 2018 – May 2019, three Member Briefing Sessions were arranged for Members of the Audit Committee:
 - 4 July 2018, Statement of Accounts
 - 17 July 2018, Role of Audit Committee
 - 23 October 2018, Treasury Management
- 1.4.7 The Chairman during 2018-19 continued to require senior officer attendance where there were high priority Audit recommendations and has continued to encourage public participation at the Audit Committee.

2. Summary of Audit Committee Outcomes during 2018-19

- 2.1 During the financial year (April 2018- – March 2019) the Audit Committee has demonstrated many outcomes with a focus on delivering improvement to the organisation. The way in which these were implemented were as follows: -

2.1.1 **Key controls and assurance mechanisms.** The Committee relies upon information presented from qualified, independent and objective officers and external assurance providers. The key controls and assurance mechanisms are as described within the Annual Governance Statement. The Audit Committee is not a working group, it does not carry out the work itself, but relies on the assurance framework to bring significant issues to the Committee for discussion and make recommendations for the Executive and officers to take forward. The Committee recognises that management are responsible for a sound control environment¹.

2.1.2 **Cross-Council Assurance Service (CCAS).** The Internal Audit service is delivered through a mixed economy model, which includes an in-house team and external provider, currently PwC. Internal Audit 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 they are known as the Cross-Council Assurance Service (CCAS).

2.2. External Audit financial resilience and value for money.

2.21 For 2018/19 BDO continue to be the Council's appointed external auditors.

2.2.2 In July 2019, in accordance with International Standard on Auditing (ISA) 260, the council's external auditors (BDO) will provide a report on matters arising from the audit of the Council's Accounts. The ISA 260 report must be considered by "those charged with governance" (The Audit Committee) before the external auditor can sign the accounts, which legally must be done by 31st July 2019.

2.2.3 At the time of publication the ISA 260 was not yet available from the external auditors, however we have been informed that report will be available for the July Audit Committee meeting and as such this annual report will be updated thereafter with the key findings.

2.3 Grant Thornton review of Compulsory Purchase Order (CPO) fraud

2.3.1 The Council was subject to a significant financial fraud in December 2017 and responded immediately with a criminal investigation by the Corporate Anti-Fraud Team and stringent additional emergency financial controls being put in place to safeguard the Council's finances. An independent review of financial control and financial forensic analysis was undertaken by Grant Thornton (GT).

2.3.2 The outcome of the GT review was reported to the Audit Committee in November 2018. The report included 32 actions for the Council, CSG and Re to take forward and during the year the Audit Committee has challenged and monitored progress by receiving update reports against this action plan.

2.3.3 The update reports were presented to the Committee as a Confidential Investigation Update (April 2018), Report of the Chief Executive (July 2018 and November 2018), and Report of the Director of Finance (January 2019).

¹ The control environment comprises the systems of governance, risk management and internal control

- 2.3.4 As at 31 March 2019, four of the 32 actions remained outstanding and these will continue to be monitored during 2019/20 via the Internal Audit quarterly progress updates.
- 2.4 Improvement agenda** – the Audit Committee is committed to improving shortfalls in the control environment, rather than apportioning blame.
- 2.4.1 The Audit Committee has been provided with assurances on internal audit high priority recommendations and the progress against these quarter by quarter. The Audit Committee and its Chairman has asked that leading officers (Directors or Assistant Directors / Strategic Leads) to attend the Audit Committee to explain any deficiencies identified by Internal Audit and how they intend to address and action them. The important aspect that the Audit Committee has been assessing each quarter is whether the direction of travel from one quarter to the next has been improving via recommendations having been implemented. This focus on improving the control environment through follow-up and discussion has made Delivery Units accountable for improvement. We followed up a total of 90 recommendations that had been raised and were due to have been implemented by the end of 2018/19. Of those, we found that 81 had been fully implemented by the year end, with 9 ongoing. The direction of travel for implementing audit recommendations by year end is therefore the same in 2018/19 with 90% of recommendations confirmed as having been implemented within revised agreed timescales (90% in 2017-18). However, on a quarterly basis the target was not met in any of the quarters as follows: Q1 – 51%, Q2 – 67%, Q3 – 49%, Q4 – 82%. A risk has been escalated to the Council's Strategic Risk Register which recognises that this performance needs to be improved as if audit actions are not implemented this could lead to a deterioration in the Council's control environment.
- 2.4.2 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation and is based on the work performed in 2018-19 but the conclusion should be considered in the context of the financial pressures facing the Council in a period where savings are required to be made but there is a greater demand for local services due to the borough's growing population. For 2018-19 a 'Limited Annual Internal Audit Opinion was given, which overall is in line with the previous year, although the Opinion does recognise that improvement has been shown, particularly in the second half of the year.
- 2.4.3 In line with the Scheme of Financing Schools, the Chief Finance Officer is required to deploy internal audit to examine the control frameworks operating within schools under the control of the Local Education Authority ("LEA"). In 2018-19, Internal Audit performed 22 school's visits and undertook 4 follow-up reviews.
- 2.4.4 The **Internal Audit and the Corporate Anti-Fraud Team (CAFT)** functions, which are organisationally independent from the rest of the Council, have a combined Annual Plan approved annually by Audit Committee which demonstrates their commitment to joint working, making the best use of resources and avoidance of duplication of effort. This also enables them to ensure that any control weaknesses identified through fraudulent

activity are followed up with recommendations to strengthen the control environment and noted on the service risk registers.

- 2.5 Issues external and internal assurances** – during the year the Audit Committee has been presented with various reports regarding control weaknesses. Areas that received an Internal Audit ‘No / Limited’ assurance rating, or where a management letter identified areas of weaknesses and high priority recommendations, are listed below. The Committee has also continued to follow up all High priority recommendations within Reasonable Assurance reports where those recommendations are not implemented within the agreed timeframes.

Review Title	Assurance rating	Number of High Priority recommendations
Temporary and interim workforce	No Assurance	5
Schools Payroll	No Assurance	5
Facilities Management	Limited	2
Equalities Data Quality and Analysis	Limited	2
All Saints’ CE Primary School, NW2	Limited	2
Onboarding	Limited	1
Non-Schools Payroll	Limited	1
Tudor School	Limited	1
St Andrew’s CE Primary School	Reasonable	1
Integra Access and Program Change Management	Reasonable	1
Teachers Pensions – Phase 2	Reasonable	1
Housing Benefit	Reasonable	1
Banking & Payment Arrangements – Treasury Management	Reasonable	1
Review of new Depot Arrangements	Reasonable	1
S106 & CILS Follow-Up	Reasonable	1

- 2.6 Anti-Fraud** – during the year the CAFT operated to an anti-fraud strategy and annual work plan which was approved by the Audit Committee. The Audit Committee has also received quarterly progress as well as an Annual report from CAFT which provide detailed summary on outcomes including preventative, proactive and reactive anti-fraud work undertaken.

2.6.1 As mentioned in section 2.3 2018-19 saw CAFT officers investigate and prosecute an unprecedented internal financial fraud. In response to this investigation officer resource was diverted from all sections within the team to deal with the investigation. The fraud itself 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 staff member in question created fake instructions for CHAPS payments more than £2million to be processed in relation to fictitious Compulsory Purchase Orders (CPO).

2.6.2 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.

- 2.6.3 Despite monies being repaid to the council by CAPITA, CAFT has continued with the financial investigation recovering over £1million of the stolen funds and continues to do so in order to ensure all proceeds of crime are identified and recovered accordingly.
- 2.6.4 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.
- 2.6.5 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
- 2.6.7 **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
- 2.6.8 **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.
- 2.6.9 **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.
- 2.6.10 In relation to **Proceeds of Crime (POCA) Investigation** CAFT Specialist Financial investigators received 12 new cases in 2018-19. As well as carrying out PoCA investigation for the London Borough of Barnet, these specialist officers also assisted other local authorities with the PoCA element of their criminal cases resulting in the courts confiscating £1,412,537 from offenders with £628,441 being awarded to the prosecuting authorities under compensation as well as the governments incentivisation scheme. Funds confiscated from criminals is shared as follows:
- 50% is allocated to the Treasury
 - 12.5% is allocated to the courts
 - 37.5% is allocated to the investigating and prosecuting authority
- 2.6.11 **Whistleblowing** matters are also reported to the Audit Committee. Four matters were referred under whistleblowing policy in the last year these are summarised below:
- 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.

- 2 – relates to a matter that was passed to the appropriate service to deal with under the Corporate Complaints procedure.
- 3 - relates to a matter that was passed to appropriate service to deal with under the Corporate Complaints procedure
- 4 - relates to an issue that has been dealt with under the Corporate Complaints procedure

2.7 **Planned and unplanned work** – The Committee has completed its work plan in accordance with its planned level of activity as detailed at annex 1.

3. Conclusions

- 3.1 In conclusion the Audit Committee feels that it has demonstrated that it has added value to the Council's overall Governance Framework.
- 3.2 Throughout 2019-20 the Audit Committee plans to continue to require senior officers to attend Committee meetings to aid in its understanding of the services and the issues identified through the audit process, but mostly to ensure that internal and external recommendations are given the priority required and implemented on a timely basis.
- 3.3 The Audit Committee's focus will continue to be ensuring action is taken of internal control deficiencies and reviewing progress on a regular basis as well as commitment to improving shortfalls in the control environment, rather than apportioning blame.

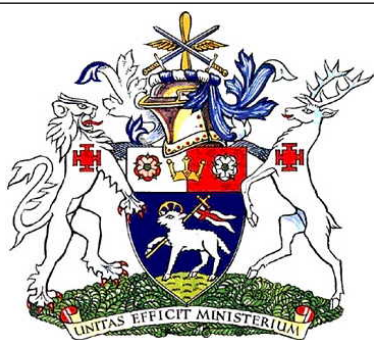
Annex 1 – Schedule of actual work 2017-8

Detail Reports considered:

Audit Committee Meeting Date	Agenda Items
19 April 2018	<ul style="list-style-type: none"> • Internal Audit Exception Recommendations Report Q4 Progress Report 1st January to 31st March 2018 • CAFT Annual Report • Internal Audit & Anti-Fraud Strategy and Annual Plan 2018-19 • Accounts Closure Improvement Plan – Progress Report • External Audit Plan – 2017 – 18 • External Auditor Progress Report • Audit Committee Forward Work Programme • Confidential Investigation update [EXEMPT] – This was a verbal update
17 July 2018	<ul style="list-style-type: none"> • Report of the Chief Executive • Internal Audit Annual Opinion 2017 – 2018 • Annual Governance Statement and Code of Corporate Governance • Statement of Accounts and External Audit Completion Report for the year 2017/18 • Internal Audit Exception Recommendations Report and Q1 Progress Report 1st April to 30 June 2018 • Corporate Anti-Fraud Team (CAFT) Q1 Progress Report 2018-19

Audit Committee Meeting Date	Agenda Items
	<ul style="list-style-type: none"> • Annual Report of the Audit Committee 2017 - 18 • Audit Committee Forward Work Programme
22nd November 2018	<ul style="list-style-type: none"> • Report of the Chief Executive • Internal Audit Exception Recommendations Report and Q2 Progress Report 1st July to 30th September 2018 • Corporate Anti-Fraud Team (CAFT) A2 Progress Report 2018-19 • Audit Committee Forward Work Programme
31 January 2019	<ul style="list-style-type: none"> • Improvements to Financial Controls – Progress report on the Grant Thornton Recommendations and Action Plan • Internal Audit Exception Recommendations Report and Q3 Progress Report 1st October to 31st December 2018 • Corporate Anti-Fraud Team (CAFT) Q3 Progress Report 2018 – 19 • External Audit Plan 2018/19 • Annual Audit Letter 2017/18 • Audit Committee Work Programme – May 2019

This page is intentionally left blank



Audit Committee

16 July 2019

Title	Internal Audit Exception Recommendations Report and Q1 Progress Report 1st April to 30th June 2019
Report of	Head of Internal Audit
Wards	Not applicable
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 - Internal Audit Q1 progress report (1 st April to 30 th June 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 2019-20 and high priority internal audit recommendations.

During quarter 1 the service has issued 14 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	Hasmoneon Primary School	Limited Assurance
2	Menorah Foundation School	Limited Assurance

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>

Investing in IT Lessons Learned

At the Council's Policy & Resources Committee on 19th July 2018 a paper was presented on the Adult Social Care case management system. It was agreed that a "lessons learned" exercise would be undertaken by Internal Audit and the findings reported to the Audit Committee. The Q1 report includes a summary of this Investing in IT Lessons Learned review which led to three actions to be taken forward by Council officers.

Follow-Ups

During the quarter we have followed up a total of 22 high priority actions due by the end of June 2019.

In Q1 we have confirmed the following:

Implemented	16	73%
In Progress*	6	27%
Not Implemented	0	0%
	22	

This is below the target of 90% being implemented within agreed timeframes.

It should be noted that a large majority of the implemented actions (12 of 16) relate to HR and the audits of Temporary and Interim Workforce and Equalities Data – Quality and Analysis, for which we have had excellent engagement from the HR team.

Recommendations

- 1. That the Committee note the work completed to date on Internal Audit Q1 progress report - 1st April to 30th June 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 2019-20 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 2019-20 in May 2019 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 2019-20 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 2020-2024, 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 2019-20 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 1 May 2019 (Decision Item 10) – the Audit committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan 2019-20

<http://barnet.moderngov.co.uk/documents/s52415/Internal%20Audit%20Anti-Fraud%20Strategy%20and%20Annual%20Plan%202019-20.pdf>

- 6.6 Policy and Resources Committee 19 July 2018 (Decision Item 9) – the agreement that that an audit lessons-learned exercise be undertaken over the Adults and Communities Case Management System and the findings be reported to Audit Committee

<http://barnet.moderngov.co.uk/documents/s47255/Case%20Management%20System.pdf>

This page is intentionally left blank

Internal Audit – London Borough of Barnet

Appendix 1



Internal Audit Q1 Progress Report 1 April – 30 June 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 2019/20 internal audit plan

1.2.1 We have completed 14 reviews in the quarter and delivered 28% of our 2019/20 internal audit programme for the year, meeting the target for Q1.

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:

- **Hasmoneon Primary School** – Limited Assurance
- **Menorah Foundation School** – Limited Assurance

1.3 Findings of our Follow Up Work

1.3.1 We have undertaken follow up work on all high priority actions with an implementation date of 30th June 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 22 high priority actions have been followed up this quarter:

16 actions have been confirmed as implemented (73%); and

6 have been partially implemented (27%).

Overall, this performance is below the target of 90% being implemented and it is a deterioration on the performance in Q4, when 82% of actions were confirmed as implemented.

During 2018/19 the target of 90% was not met in any quarter during the year. In Q4 the performance did improve, with 82% of actions being implemented. However, 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 5.

1.4 Recommendations

- That the Audit Committee notes the progress made against our 2019/20 Internal Audit Programme.

2.0 No and Limited Assurance reports issued since the previous meeting

2.1 Hasmoneon Primary School

May 2019

Number of findings by risk rating

Critical	0
High	1
Medium	5
Low	2
Advisory	0

Background

Hasmonean Primary School is a Voluntary Aided school with 240 pupils on role aged between 3 and 11 years of age. The School budgeted expenditure for 2018/19 is £1,291,481 with employee costs of £994,972 (77% of budgeted expenditure).

The School was assessed as 'Good' by OFSTED in February 2019.

A review of the eleven recommendations reported in the previous audit report dated 31 March 2016 found that three recommendations had been partially repeated (Governance, Contracts, Assets).

Summary of Findings

The audit identified 1 high risk, 5 medium risk and 2 low risk findings.

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

- Banking– The Bank account administered by the Local authority but holding school funds has not been reconciled since March 2018 (Eleven months). (High rated)

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

- Governance– The financial management policy and procedures document should be updated and approved by Governors to include an agreed basis for amounts to be provided from the Governor's fund to reimburse the school account for costs incurred in the provision of Jewish studies, and nursery costs where income is banked to Governor's funds. A B&Q Tradecard is in use in school which operates like a credit card. The school should document and approve controls and procedures for use. (Medium rated);
- Purchasing– Delivery notes should be signed to confirm proof of receipt of goods in school. Where a delivery note is not received, the invoice should be signed to confirm that goods/services have been received and the price charged on the invoice has been agreed to purchase order/agreed quotation prior to being passed for payment authorisation. Regular reimbursements are made to a member of staff for school purchases made on a private credit card. Where amounts are significant, committed expenses should be recorded to ensure accounts are up to date. (Medium rated);

- Payroll– For two employees selected, monthly Gross pay could not be agreed to the Master list of staff containing standard pay and grade details. Monthly monitoring of payroll against budget should be completed and reviewed. One member of staff had not been included on the school Single Central Record. (Medium rated);
- Tax– VAT due on money received for staff meals has not been included on the VAT return. VAT has been claimed on staff reclaimed expenses which is not supported by a valid VAT receipt. (Medium rated).
- Assets– The inventory was not found to be complete. The IT listed on the inventory did not contain sufficient information to comply with the Financial Guide for schools. Annual review was not completed. Governors had not been asked to approve disposal of school whiteboards. (Medium rated)

Appropriate actions were agreed with due dates of immediately (high risk finding) and by the end of the Summer term (medium risk findings). We will follow-up to confirm implementation of the high risk finding and will report back to the next Audit Committee.

2.2 Menorah Foundation School

June 2019

Number of findings by risk rating

Critical	0
High	2
Medium	5
Low	3
Advisory	0

Background

Menorah Foundation School is a Voluntary Aided school with 427 pupils on role aged between 3 and 11 years of age. The School budgeted expenditure for 2019/20 is £3,174,403 with employee costs of £2,533,464 (80% of budgeted expenditure).

The School was assessed as 'Good' by OFSTED in May 2015.

A review of the six recommendations reported in the previous audit report dated February 2016 found that four recommendations had been partially repeated (Governance, Purchasing, Banking, Assets).

Summary of Findings

The audit identified 2 high risk, 5 medium risk and 3 low risk findings.

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

- Banking– The School Business Manager (SBM) who is responsible for the accounts was allowed to make payments from the school Bank account using HSBC online banking with sole authority. At the time of the audit, the SBM indicated that he was allowed to make payments with a limit of up to £5,000 per day. The Financial Guide for schools however states that sole authority by the person responsible for the accounts represents an unacceptable risk and should not be allowed. (High rated);

- Purchasing– There is a lack of evidence of separation of duties. Committed expenses which have not yet been invoiced are not recorded to allow accurate budget monitoring. Invoices should be signed to confirm that goods/services have been received and the price charged on the invoice has been agreed to purchase order/agreed quotation prior to being passed for payment authorisation. A debit card is in use in school. No debit card policy was available to confirm what paperwork should be available to support use of the school debit card. Signed debit card paperwork was not filed, for referral, to confirm school use, support VAT reclaims and to evidence the appropriate authorisation for purchase and payment. (High rated);

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

- Governance– The financial management policy and procedures document should be updated and approved by Governors to include an agreed basis for amounts to be provided from the Governor's fund to reimburse the school account for 27 members of staff employed on the school payroll, employed to provide teaching in Jewish studies. A debit card policy should be approved and included in the finance policy. A Lettings policy should be approved and included in the finance policy. Rules relating to the office Petty cash should be included in the finance policy. The Notice of Authorised Signatories was last updated in March 2016. There was no up to date document available at the audit to confirm authorised signatories in school. (Medium rated);
- Income– Paperwork was not available at the audit to confirm that the school collected all income due for school meals, and that this was banked, or transferred to the main school budget account from which school meal invoices were paid. The school was unable to provide a trips and journeys income record as required by the Barnet Financial Guide for schools. (Medium rated);
- Banking and Petty Cash– A second Petty cash account is administered by school administrators. There are no written controls or procedures relating to the transactions on this account. (Medium rated)
- Payroll – Although the business manager did have a signed contract detailing the new staff members hour and pay, there was no 'new staff member form' signed by the Head Teacher, also recording confirmation of the related week/hours applicable to the role, in regard to entering that staff member onto the payroll. Monthly monitoring of payroll against budget should be completed and reviewed. (Medium rated);
- Assets– The inventory has not been kept up to date. Annual review was not completed. Governors had not been asked to approve disposals. (Medium rated)

Appropriate actions were agreed with due dates of immediately (high risk findings) and by the end of the Summer term (medium risk findings). We will follow-up to confirm implementation of the high risk findings and will report back to the next Audit Committee.

3.0 Management Reviews

3.1 Investing in IT – Lessons Learned (Portfolio and Project Management)

Background

In October 2017 Internal Audit completed an IT Risk Diagnostic Review. This review identified that a high priority area of audit focus was IT Management - Portfolio and Project Management. The indicative scope was to “review IT project and portfolio management methodologies used by the Customer and Support Group (CSG) to ensure that all major projects are successfully delivered to the Council”.

The Council’s Investing in IT Project planned to introduce a new Adult Social Care case management system (Mosaic), which was delivered in partnership with Capita PLC via the CSG contract. The project experienced a number of issues during delivery, which resulted in the project being paused. Following the conclusion of a commercial settlement agreement with Capita*, the Council has resumed delivery of this project with an alternative delivery partner. At the Council’s Policy & Resources Committee on 19th July 2018 a paper was presented on the Adult Social Care case management system. It was agreed that a “lessons learned” exercise would be undertaken by Internal Audit and the findings reported to the Audit Committee.

Council projects are delivered using the Council’s Corporate Project Management Toolkit. The toolkit aims to ensure that the Council is consistently delivering successful projects and programmes, with the overall aim of achieving its corporate priorities. The Toolkit states that lessons learned reviews are to be carried out to look at how a given project is managed (or was managed), with the desired outcome of making improvements to that project if possible and sharing the learning with the rest of the organisation so that it can be utilised in future projects.

* As both parties have agreed a commercial settlement regarding their Dispute over the Investing in IT project, Capita does not endorse or necessarily agree with all of the content in the report.

Action Plan

The Lessons Learned review has culminated in an agreed Action Plan as per the below.

Area	Recommendation	Management Response	Responsible Officer	Target Date
1. IT Project Methodologies and Council Project Management Toolkit Application	<p>Review the project methodologies used by CSG to ensure they align to good practice (such as Prince2) and enable all major IT projects to be successfully delivered to the Council.</p> <p>Clarify which elements of the Council’s Project Management Toolkit will be applicable to future IT projects and ensure that future projects are fully aware of this requirement.</p> <p>Review the Investing in IT lessons identified at Appendix B and consider where applicable to future Council IT projects.</p>	To be picked up as part of governance review for action 2.	Head of IT, Customer Strategy & Programmes	30 th September 2019
2. Council oversight /	Consider the potential options in relation to corporate oversight and assurance over	<u>IT Projects</u>	Head of IT,	30 th June

assurance of department-led projects	department-led projects. In particular, to ensure that appropriate checks and balances are in place and that senior Council officers are made aware of any issues in order to resolve them in a timely manner and ensure departmental projects achieve their required outcomes.	Governance of IT in general is being reviewed and this includes the projects and programmes function as part of this. In April 2019 a new governance structure was presented to the corporate Digital Board which specified a need to strengthen the monitoring of IT projects and programmes at a corporate level, so a specific project group and also a firmer link to the Digital board for escalation has been included within the proposed structure.	Customer Strategy & Programmes	2019
		<p style="text-align: center;"><u>Non-IT Projects</u></p> <p>The arrangements for ensuring that there is an appropriate and proportionate level of corporate oversight and assurance over department-led projects will be considered as part of the broader piece of work that is being undertaken to consider the future role of the corporate centre in ensuring effective cohesion and control across the organisation as a whole</p>	Interim Director Commercial and Director of Finance	30 th September 2019
3. Investing in IT project benefits realisation	Management should consider expanding the 2018 agreed outcomes and more clearly articulating the expected benefits the Council aims to receive from them. This should be in the form of a benefits log, utilising the template available within the Council's Project Management Toolkit, and will enable the project to more clearly demonstrate benefits realisation and justify the investment decisions made on this project.	Work is currently being undertaken to review progress against the programme outcomes and agree more detailed success criteria for programme delivery. As part of this exercise, where relevant, benefits will be identified and captured. There is a quarterly meeting already in place to monitor progress against critical success factors. Later in the programme a more detailed benefits realisation plan will be developed as part of the handover of the system into business as usual.	Head of Performance and Systems (Adults)	30 th September 2019

4.0 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 Q1 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. Our work on this has been incorporated into the 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 1								
Complete	Menorah Foundation School	Limited	10	-	2	5	3	-
Complete	Hasmoneon Primary School	Limited	8	-	1	5	2	-
Complete	Disabled Facilities Grant	Reasonable	6	-	-	5	1	-
Complete	Re Operational Review follow-up*	Partially Implemented	1	-	1	-	-	-
Complete	Council Tax	Reasonable	5	-	-	3	2	-
Complete	Housing Benefit	Reasonable	3	-	-	3	-	-
Complete	National Non-Domestic Rates (NNDR)	Reasonable	3	-	-	1	2	-
Complete	Monkfrith School	Reasonable	7	-	-	5	2	-
Complete	St. Vincent’s Catholic School	Reasonable	5	-	-	2	3	-
Complete	Blessed Dominic Catholic School	Substantial	4	-	-	1	3	-
Complete	Follow-Up of CFO Financial Controls review*	Partially Implemented	-	-	-	-	-	-
Complete	Investing in IT – Lessons Learned (Portfolio and Project Management)	Management letter issued – summary included in Section 3	3	-	3	-	-	-

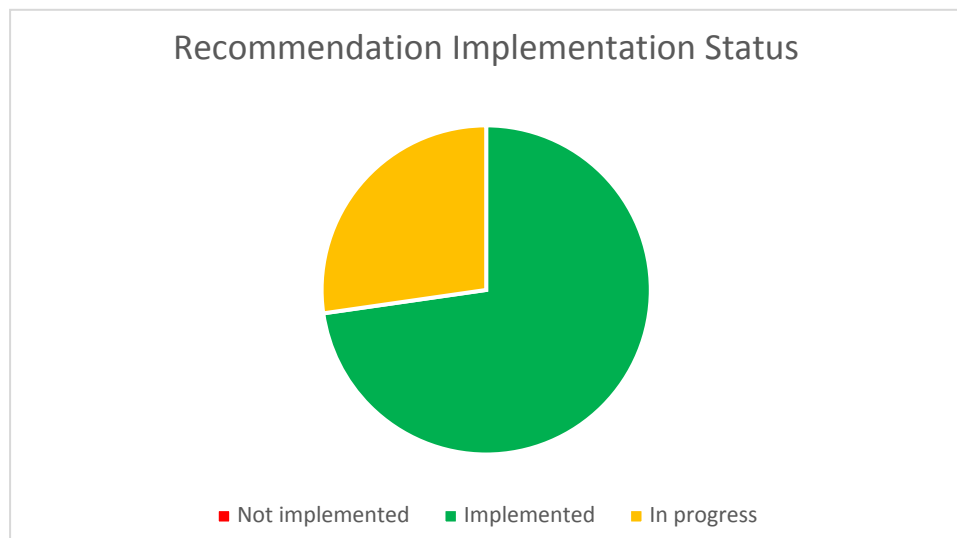
Complete	General Data Protection Requirements (GDPR)	Management letter issued	3	-	-	3	-	-
Complete	Troubled Families – Payment By Results (June submission)	Claim verified	1	-	-	1	-	-
Draft Report	Pension Fund Finance and Investment	TBC						
Draft Report	Brent Cross Cricklewood – Regeneration - Financial Controls	TBC						
Draft Report	Highways Programme	TBC						
Draft Report	St. Michael's Catholic Grammar School	TBC						
Draft Report	St Theresa's Catholic Primary School	TBC						
Draft Report	Martin School	TBC						
Fieldwork	Private Treaty Agreements (PTAs) Follow-Up	TBC						
Fieldwork	Banking & Payment Arrangements – Accounts Payable*	TBC						
Fieldwork	Passenger Transport Service (PTS) Health & Safety	TBC						
Fieldwork	Public Health - compliance with grant conditions	TBC						
Fieldwork	Domestic Violence	TBC						
Fieldwork	Banking & Payment Arrangements - Cash & Bank*	TBC						
Planning	Refuse Collection Added to 2019/20 Plan at May 2019 Audit Committee	TBC						
Planning	Family Services Financial Management	TBC						
Planning	Data Management Procedures (Cyber)	TBC						
Planning	Underhill School	TBC						
Planning	Sunnyfields School	TBC						

Planning	Manorside School	TBC						
Planning	Pavilion PRU	TBC						
Planning	Brookhill Nursery	TBC						
Planning	The Annunciation Infant school	TBC						
Deferred	Revenue Budget Setting and Monitoring Deferred to Q2 as agreed with Deputy Director of Finance	TBC						
Deferred	Accounts Receivable Deferred to Q2 as previous audit only completed in Q4 of 2018/19	TBC						
Deferred	Treasury Management Deferred to Q2 to allow more time since previous visit	TBC						
Deferred	Parking PCN Cancellations Deferred to Q2 as auditor continuing to undertake Banking & Payment Arrangements audit	TBC						
Deferred	Better Care Fund Deferred to Q2 as agreed with the service	TBC						
Deferred	Geographic Information Services (GIS) Advisory review Deferred to Q2 due to auditor secondment to Elections team	TBC						
Deferred	Theme Committee Priorities – Benefits Management Deferred to Q3 as new arrangements went live in Q1	TBC						

5.0 Follow Up

5.1 Summary

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



5.2 Outstanding actions

5.2.1 During this period we followed up 6 high priority actions due by 30th June 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*
Strategic Director: Director of Finance					
1. Pensions Admin January 2018	Analytical review of contributions	In Progress A process was implemented in June	Head of Public Sector	Target date: 30th June	3

	<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>whereby Capita confirm to LBB that contributions have been paid in a timely manner. In order to provide more granular detail for cases outside of the agreed tolerance for analytical review, processes have been revised to include the completion of a contribution slip that will facilitate this.</p> <p>We have seen evidence that the Fund is requiring scheme employers to provide more information via this new 'contribution slip' to allow it to do genuine analytical review. In order to be able to calculate expected contributions and to undertake meaningful analytical review the contributory salary needs to be known – this information will be available via the new contribution slip. At the date of this report, the new contribution slip data had been received for 37 of the 88 employers.</p> <p>In addition to not having the necessary data from all employers, explanations have not yet been provided to LBB by Capita for all variances above the agreed threshold where this data is available. We understand this information will be provided imminently.</p> <p>Council officers held a meeting with Capita Pensions on 3rd July to move these issues forward. A verbal update will be given to the Audit Committee.</p> <p><u>Previous update (to May 2019 Audit Committee):</u></p> <p>Reasonable progress has been made since the audit.</p> <p>In November 2018 robust analytical reviews were not possible based on the</p>	<p>Pensions, Capita</p> <p>Head of Business Assurance, CSG Employee Benefits</p>	<p>2018</p> <p>Revised target date: 31 January 2019</p> <p>2nd revised target date: 31 May 2019</p> <p>3rd revised target date: 31 July 2019</p>		
--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--

		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.			
2. Banking and Payment Arrangements - Treasury November 2018	Bankline – access and authorisation 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.	In Progress Limited progress has been made since the last Audit Committee due to a key member of staff being on long-term sick leave. Further action required for full implementation: The review of roles, allocated users and related underlying privileges for Bankline LBB Schools users needs to be completed. <u>Previous update (to May 2019 Audit Committee):</u> 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 formal confirmation of the Bankline access for their staff.	Head of Treasury, LBB	Target date: 31 March 2019 Revised target date: 31 May 2019 2nd Revised target date: 30 September 2019	2

		<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>				
Strategic Director: Deputy Chief Executive						
3. Equalities data - quality and analysis November 2018	Data quality and analysis – staff performance reviews 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.	In Progress Last quarter (Q4, 2018/19) we noted that substantial progress had been made against this action since the audit but that a method statement detailing the analysis needed to be prepared which we could expect to be presented to strategic directors in June 2019 Management confirmed that the method statement has yet to be prepared as the outcomes of the 2018/19 Employee Performance Reviews are now not due to be	Strategic HR Lead, LBB	Target date: 28 February 2019 i.e. in advance of the 2018/19 performance reviews Revised deadline: 30 April 2019	2	

		<p>presented to strategic directors until August 2019 and a number of other tasks, including the move to Colindale, the European elections and the recent Ofsted visit, have taken higher priority at this time.</p> <p>Further action required for full implementation: A method statement detailing the analysis will be prepared and presented to strategic directors in August 2019.</p> <p><u>Previous update (to May 2019 Audit Committee):</u></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 strategic directors to consider which will include an Equalities Impact Assessment at a whole Council level and will feed into future equalities planning.</p> <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 		<p>2nd Revised deadline:</p> <p>31 August 2019</p>	
--	--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	----------------------------------------------------------------------	--

		<p>with the equalities profile at a whole organisational level.</p> <ul style="list-style-type: none"> - 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 strategic directors 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 strategic directors in June. We are expecting to receive a copy of this method statement prior to Audit Committee. A verbal update will be given.</p>				
<p>4. 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 due to a number of other priorities within the Strategic HR Team such as Council Management Team restructure, performance reviews and transfer of the Strategic HR function from CSG to LBB.</p> <p>Management confirmed that they have</p>	Strategic HR Lead, LBB	<p>Target date: 31 March 2019</p> <p>Revised target date: 15 June 2019</p> <p>2nd Revised target date:</p>	2	

		<p>not been able to review and amend the 2017/18 data to date; however, this will be completed using the revised process (as per 2018/19) and this will be complete by 30 September 2019.</p> <p><u>Previous update (to May 2019 Audit Committee):</u></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>		30 September 2019	
5. Schools Payroll February 2019	I-Trent Access and permissions a. Access should be removed to ensure that employees only have the	In Progress Evidence was provided confirming that Payroll Administrators responsible for Barnet Schools Payroll only had Payroll Administrator role profile/user access in the payroll system, I-Trent. Similarly,	Schools HR and Payroll Business Manager, Capita	Target date: 15 March 2019 Revised	2

	<p>specific access directly relevant to their role for Barnet processing.</p> <p>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.</p> <p>c. Audit trails of such exception reporting and investigation, where applicable, will be retained for referral for 10 years.</p>	<p>the HR administrator only had HR Administrator access. The separation of the Payroll and HR administrator role profiles in this manner was in line with our expectations. CSG Schools Payroll Management indicated that the relevant employees were the only officers who were able to process the Barnet Schools Payroll.</p> <p>As part of our review, we raised queries on the various permissions/functions allocated to the above role profiles in I-Trent and the role profile/access provided to officers at a more senior level (team leaders and the Business Manager) to assess whether the segregation of duties had been embedded so that one officer would not be able to create a new starter, end to end, in the system. CSG Schools Payroll Management have indicated to us that the Business Manager did not have the access to process in I-Trent any longer. Previous I-Trent access provided to the Business Manager had now been removed.</p> <p>While changes have been made to improve I-Trent access, at the date of this report we raised further queries to assure ourselves that the access designed in I-Trent is sufficiently secure. A verbal update will be given at the Audit Committee.</p> <p>I-Trent system reporting, to detect instances where new starters had been created in the system by one officer only, had not been provided to us for review at the date of this report. Such detective reporting controls could be used as an alternative to restricting</p>		<p>date: June 2019</p> <p>2nd Revised date: 31 July 2019</p>	
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-------------------------------------------------------------------------------------------	--

		<p>access in the system which would be a preventative control.</p> <p>Further action:</p> <p>CSG to provide responses to the most recent Internal Audit queries and to take the appropriate action to ensure that segregation of duties is embedded in operation where necessary.</p> <p><u>Previous update (to May 2019 Audit Committee):</u></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>6. Onboarding</p> <p>June 2018</p>	<p>New Starter Induction</p> <p><u>Welcome Site Pack:</u></p> <p>LBB will agree a protocol in conjunction with CSG for ensuring that new employees are made aware of the relevant Site Welcome Pack (created and managed by CSG Estates-Facilities Management) when</p>	<p><u>In Progress</u></p> <p>The recruitment system, Vacancy Filler, directs new starters to a web-based Employee Information Pack however not the Site Welcome Pack, specifically not the Colindale Site Welcome Pack which is now available for staff.</p> <p>We tested a sample of 5 recent new starters who should have received the Site Welcome Pack. We received responses for 2 who confirmed that</p>	<p>Responsible officer:</p> <p>Strategic HR Lead, LBB</p> <p>Head of Estates, LBB, TW3 Place Workstream Lead</p>	<p>Target Date:</p> <p>31/07/2018</p> <p>Revised date: 30 November 2018</p> <p>2nd Revised date: 31 May 2019</p> <p>3rd Revised date: 31 July</p>	3	

	commencing employment Council	with	their the	<p>they had not received it.</p> <p>The responsible HR leads in the Council and CSG are aware of the cause of the problem and have taken action to resolve it so that all new starters will automatically be directed to the Colindale Site Welcome pack in future.</p> <p>Further action: The Vacancy Filler link provided to all new starters to direct them to key Council information will also include the Colindale Site Welcome Pack.</p> <p><u>Previous update (to May 2019 Audit Committee):</u></p> <p>A link to the Welcome Pack is sent by Belfast to all new starters as part of the new starter process that they manage.</p> <p>In addition, the site welcome pack is being reviewed in light of the move to Colindale. This work is being taken forward by the TW3 Programme working with the Place workstream and supported by the People workstream. It is anticipated that the new Welcome Pack will be completed by the beginning of May 2019.</p>		2019	
5.3 Completed actions							

5.3.1 During this period we followed up 16 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
1. Pensions Administration January 2018	Scheme data quality We will create a checklist which will be used to evidence the review of end of year returns. These checks will include reviewing whether data is provided for all active member records. Target date: 30th April 2018 Revised target date: 30th April 2019
2. Temporary and Interim Workforce May 2018	Performance information and roles & responsibilities LBB HR, CSG HR and CSG Procurement Management will, working together, assess what performance information is necessary to fully monitor the agency contract and support agency spend reduction measures. This review will be used as the basis for defining performance reporting requirements for the new agency staff contract which commences 1 October 2018. Target date: 31 October 2018 Revised target date: June 2019
3. Temporary and Interim Workforce May 2018	Performance monitoring - assignment extension monitoring and assignment length The Council will create a policy on temporary workers, which will include limits on initial assignment length and a workflow for assignment approvals and extension approvals to ensure that inappropriate assignments and extensions can be challenged in a timely manner. Target date: 31 October 2018 Revised date: 1 May 2019
4. Temporary and Interim Workforce May 2018	Performance monitoring - assignment extension monitoring and assignment length The policy and its requirements, along with details of any amended workflows within the agency supplier system, will be clearly documented in process notes and an end-to-end process map. Target date: 31 October 2018 Revised date: 1 May 2019

<p>5. Temporary and Interim Workforce</p> <p>May 2018</p>	<p>Performance monitoring - assignment extension monitoring and assignment length</p> <p>The policy and process notes will be communicated to all hiring managers and any required training will be provided.</p> <p>Target date: 31 October 2018 Revised date: 1 May 2019 2nd Revised date: 31 July 2019</p>
<p>6. Temporary and Interim Workforce</p> <p>May 2018</p>	<p>Performance monitoring – DBS clearance</p> <p>CSG HR Business Partners will ensure that the recruiting officer clearly states DBS requirements in job descriptions so that only staff who will provide evidence of DBS clearance are hired.</p> <p>Target date: 31 October 2018 Revised date: 1 May 2019</p>
<p>7. Temporary and Interim Workforce</p> <p>May 2018</p>	<p>Performance monitoring – DBS clearance</p> <p>This evidence will be retained centrally within the agency staff management system to support review of the operation of the control.</p> <p>Target date: 31 October 2018 Revised date: 30 April 2019</p>
<p>8. Temporary and Interim Workforce</p> <p>May 2018</p>	<p>Performance monitoring – DBS clearance</p> <p>CSG HR will review all generic role profiles within the supplier system on an annual basis to ensure that roles which give employees access to vulnerable individuals require appropriate clearances.</p> <p>Target date: 30 September 2018 then annually by 30 September thereafter Revised date: 1 May 2019</p>
<p>9. Temporary and Interim Workforce</p>	<p>Performance monitoring – DBS clearance</p>

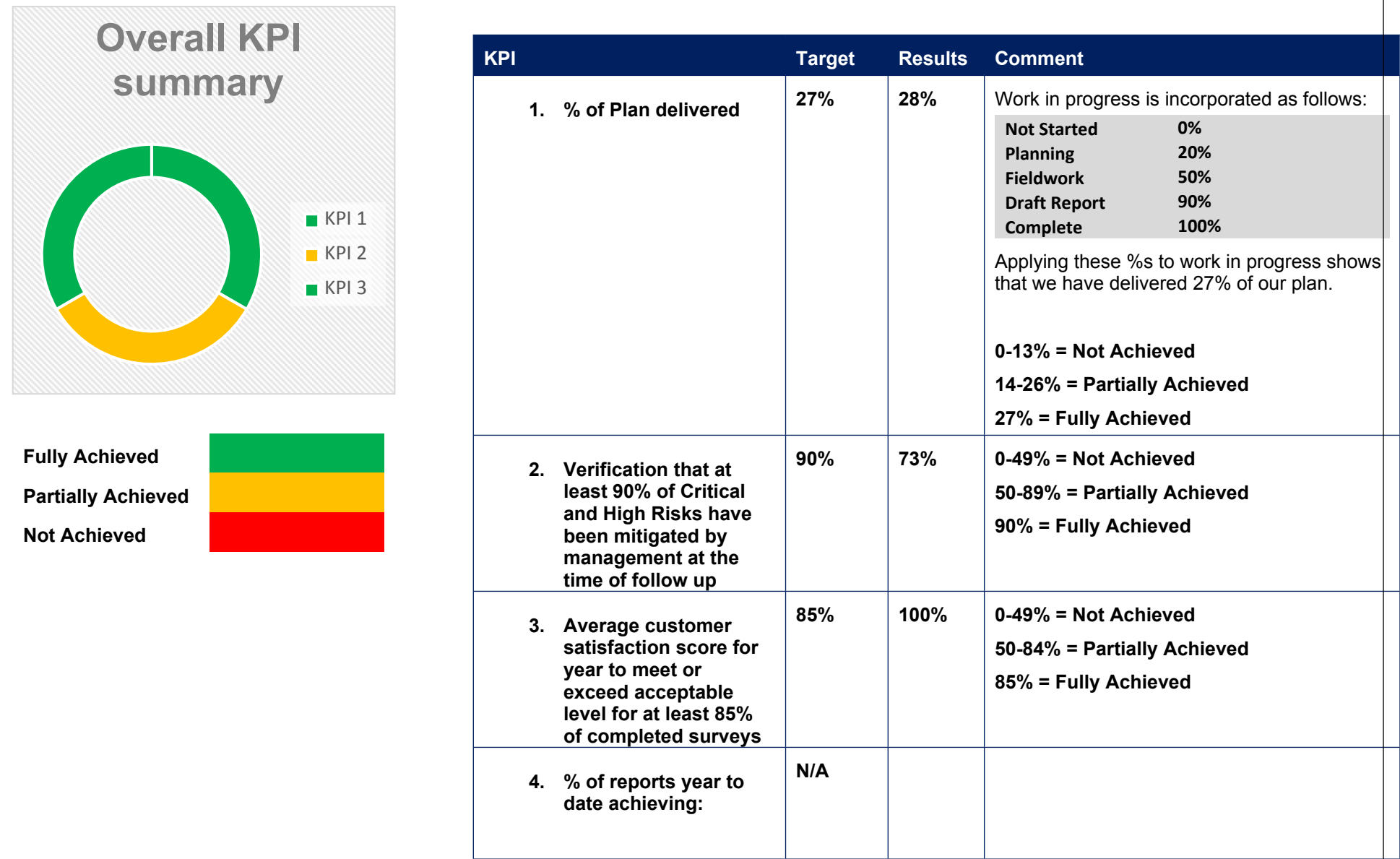
<p>May 2018</p>	<p>LBB HR will ask the supplier to ensure that it is not possible to fill these roles without adding relevant information (including DBS numbers) into the system.</p> <p>Target date: Complete (as asserted by management at the time of the audit)</p> <p>Revised date: 30 April 2019</p>
<p>10. Temporary and Interim Workforce</p> <p>May 2018</p>	<p>Performance monitoring – DBS clearance</p> <p>LBB HR will investigate whether it is possible to require verification of DBS numbers directly with the DBS Update Service as part of the new agency supplier contract.</p> <p>Target date: 31 October 2018</p> <p>Revised date: 30 June 2019</p>
<p>11. Temporary and Interim Workforce</p> <p>May 2018</p>	<p>Performance monitoring – Supplier compliance audits</p> <p>Management will request evidence of the six-monthly agency audit and any actions taken by the supplier as a result (e.g. agency suspension). Any issues arising from agency audits will be escalated by CSG procurement to CSG HR and LBB HR.</p> <p>Target date: 31 October 2018 for mobilisation; 31 December 2018 for quarterly contract monitoring meeting agenda</p> <p>Revised date: 30 April 2019</p>
<p>12. Temporary and Interim Workforce</p> <p>May 2018</p>	<p>Performance monitoring – Supplier compliance audits</p> <p>The agency staff policy will outline preventative and detective controls around the compliance of agency staff with statutory requirements, including details of who is responsible for the operation of these controls.</p> <p>Target date: 31 October 2018</p> <p>Revised date: 30 April 2019</p>
<p>13. Review of Depot Arrangements</p> <p>June 2018</p>	<p>Vehicle inspection checks</p> <p>d) Vehicle inspection checks on refuse vehicles will be undertaken daily and will also cover all trade waste crews each week. The inspection sheets will confirm the correct position of the cameras on the vehicles.</p>

	<p>Target date: 1 July 2018</p> <p>1st Revised date: 31 December 2018 2nd Revised date: 30 April 2019</p>
<p>14. Equalities data - quality and analysis</p> <p>November 2018</p>	<p>Data quality and analysis – mandatory gender pay gap reporting</p> <p>Where data issues are identified during the calculations and quality checking of those calculations, CSG HR will retain evidence of any investigation carried out and the outcome of that investigation.</p> <p>Target date: 30 June 2019</p>
<p>15. 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>Checks of CIL liabilities and reliefs will occur in line with the above.</p> <p>Target date: From 1 April 2019</p>
<p>16. Schools Payroll</p> <p>February 2019</p>	<p>BACS and HMRC payment and 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>Target date: 15 March 2019</p> <p>Revised target date – 31 May 2019</p>

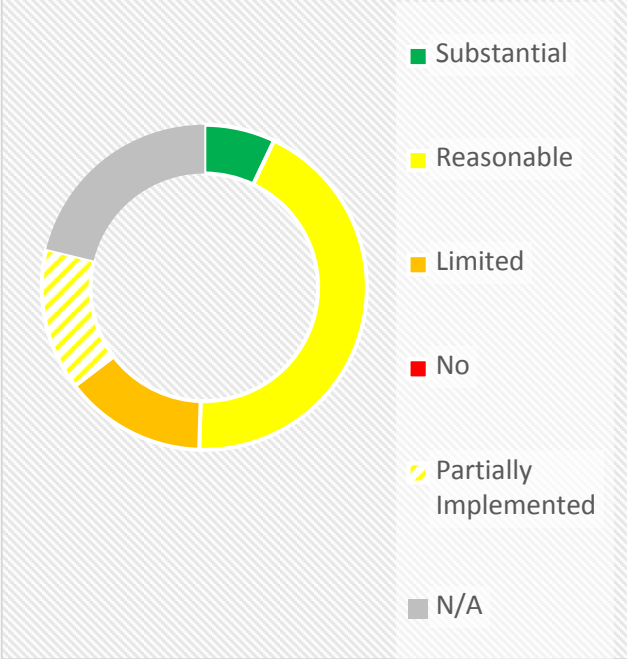
Appendices



Appendix A: Key performance indicators (KPIs)



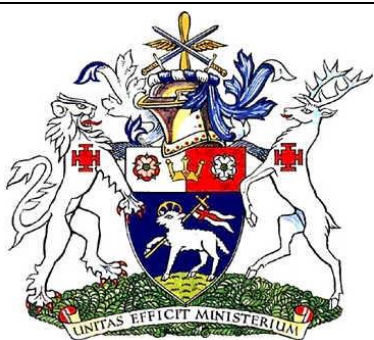
Assurance Ratings



•Substantial		7%	
•Reasonable		43%	
•Limited		14%	
•No Assurance		0%	
•Partially Implemented		14%	
•N/A		21%	

This page is intentionally left blank

AGENDA ITEM 12



Audit Committee

16th July 2019

Title	Corporate Anti-Fraud Team (CAFT) Q1 Progress Report 2019-20
Report of	Clair Green – Director of Assurance
Wards	All
Status	Public
Enclosures	Appendix 1 - CAFT Q1 Progress Report 1 st April – 30 st June 2019
Officer Contact Details	Clair Green clair.green@barnet.gov.uk 0208 359 7791

Summary

This report covers the period 1 April 2019 – 30 June 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 Progress Report covering the period 1 April – 30 June 2019.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee included in the work programme for 2019-20 that a Quarterly Report on the work of the Corporate Anti-Fraud Team is produced to this meeting.

2. REASONS FOR RECOMMENDATIONS

- 2.1 N/A

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 N/A.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

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

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

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

5.3 Social Value

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

5.4 Legal and Constitutional References

5.4.1 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 under Responsibility for Functions - The Audit Committee's terms of reference, details the functions of the Audit Committee including:

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

5.4.3 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 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.

5.7 Consultation and Engagement

5.7.1 None

6. BACKGROUND PAPERS

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

6.2 Audit Committee 1st May 2019 (Decision item 13) the Audit committee included in the Committee Forward Work Programme that quarterly progress report on the work of the Corporate Anti-Fraud Team be produced to this meeting.

Appendix 1

Corporate Anti-Fraud Team (CAFT) Progress Report: 1 April – 30 June 2019

1. Introduction

2. Pro-active Fraud Plan

3. Performance Information

1. Introduction

This report covers the period 1 April 2019 – 30 June 2019 and represents an up-to-date picture of the work undertaken by Corporate Anti-Fraud Team (CAFT) during that time.

All CAFT work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. CAFT supports the Chief Finance Officer in fulfilling their statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds.

Work processes in the team are designed for maximum efficiency and as such all functions are intrinsically linked and are dependent on each other, to ensure CAFT continue to provide an efficient value for money counter fraud service and that can investigate all referrals or data matches to an appropriate outcome.

CAFT continue to provide advice and support to every aspect of the organisation including its partners and contractors. This advice varies between fraud risk, prevention and detection, money laundering and other criminal activity as well as misconduct and misuse of public funds. Some of the matters will progress to criminal investigation and others will not, but in all cases appropriate actions, such as disciplinary or civil action are taken. It is this element of the work of CAFT that is hard to quantify statistically.

During the last quarter CAFT have further developed relationships with other local authorities where joint working and assistance has been established to utilise the enhanced investigative powers of the CAFT Financial Investigators in relation to Proceeds of Crime investigations.

The tables below will show that the CAFT investigators were actively dealing with a total of **398** allegations of fraud in this first quarter of 2019/20. This has been a busy time with some excellent outcomes.

2. Pro-active fraud plan

Table 1 provides an update against any CAFT pro-active activity undertaken in this period as set out within the 2019/20 plan

CAFT Pro-active review	Outcome
<p>Disabled Blue Badge Street Operation.</p> <p>Disabled Blue Badges must only be used by the named badge holder, or by a person who has dropped off or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a blue badge in any other circumstances.</p>	<p>CAFT have conducted one intelligence led pro-active Street Operation in quarter 1 which took place over 2 days which was a joint pro-active operation with Community Safety – during this exercise which took place in Burnt Oak and Edgware, CAFT officers were accompanied by NSL Parking Enforcement Officers, Barnet Police and Community Safety Officers.</p> <p>As a result of the above Operation, a total of 9 Blue Badges were found to be being misused. 1 of these badges was cancelled as lost/stolen. 4 badges were seized by CAFT Officers and a total of 3 PCN's were issued.</p>

3. Performance Indicators

Table 2 provides an update against all performance indicators as set out within the 2019/20 fraud plan. (No targets are set against each of these indicators, they are the results of CAFT re-active and continuous investigation work – with the exception of 'Properties Recovered' which is agreed with Barnet Homes as an annual figure of 60 properties).

Performance Indicator	Q1 2019-20	Comments
Corporate Fraud Team deal with the investigation of any criminal and fraud matters (except Benefit and Tenancy related fraud) attempted or committed within or against Barnet such as internal employee frauds, frauds by service recipients and any external frauds. CAFT work in partnership with partners, other organisations and law enforcement agencies to ensure that the public purse is adequately protected.		
Number of carried forward fraud investigations from 18-19	24	
Number of new fraud investigations	23	
Total number of Cases dealt with in Q1	47	
Total Number of closed fraud investigations	21	3 cases closed as Advice & Assistance given 1 closed Fraud Proven (NFA) where it is not in the public interest to pursue the case 11 cases closed 'No Fraud' 1 school place withdrawn 5 cases closed insufficient evidence
Number of staff no longer employed / dismissed as a result of CAFT investigations.	0	
Total number of closed cases in Q1	21	

Number of cases awaiting legal action	0	
Total number of on-going fraud investigations	26	1 relates to Assisted Travel, 1 relates to Family Services 14 relate to Council Tax 1 relates to Highways 4 relates to Direct Payments (Adults) 1 relates to Direct Payments (Children's) 2 relate to CSG Information Systems 1 relates to Safeguarding 1 relates to Business Employment & Skills
Total number ongoing investigations carried into Q2	26	
Concessionary Travel Fraud this details the investigation of Blue Badge Misuse as well as Blue Badge / parking permit fraud. Blue badges can only be used by the named badge holder, or by a person who has dropped off or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a blue badge in any other circumstances.		
Number of carried forward Investigations from 18-19	73	
Number of new referrals received	50	As a result of these referrals 5 badges have been seized.
Total number of BB investigations dealt with in Q1	123	
Number of cases that were closed after successful prosecution in Q1	19	These cases were put before the courts in this first quarter and resulted in guilty verdicts. Please refer to noteworthy investigations sections of the report for further details of some sample cases.
Number of cases closed with Cautions being Administered in Q1	19	Please refer to noteworthy investigations sections of the report for further details on some sample cases.
Number of cases closed with a warning letter sent to badge holder or misuser in Q1	16	Warning letters* are issued where there is a strong suspicion or evidence of offence (with mitigating circumstance) and we have decided to take no further action as not in the public interest. *some letters will relate to Barnet badges seized by other local authorities
Number of cases closed with no further action	8	2 cases were closed as No Fraud 6 cases were closed due to insufficient evidence.
Total number of BB cases closed in Q1	62	
Number of cases with legal awaiting court action	5	All of these cases are with our legal team pending criminal proceedings
Number of On-going BB investigations	56	
Total number of BB investigations carried into Q2	61	

Financial Investigations - a Financial Investigation under the Proceeds of Crime Act 2002 ensures that any person's subject to a criminal investigation by Barnet do not profit from their criminal action.		
Number of carried forward Financial Investigations from 18-19	22	
Number of new Financial investigations received in Q1	4	
Total number of Financial investigation in Q1	26	
Number of closed Financial investigations	1	1 POCA case discontinued due to legal technicality relating to a planning case
Total number of closed Financial Investigations in Q1	1	
Total Number of on-going Financial Investigations	25	<p>8 relate to planning enforcement 5 relate to Housing (Tenancy Fraud) 1 relates to Trading Standards 1 relates to Finance 1 relates to Pensions</p> <p>There are a further 8 cases which we are investigating as part of an agreement with Haringey Council.</p> <p>There is a further 1 case which we are investigating as part of an agreement with Haringey Council.</p> <p>Details of cases are reported on closure if fraud is proven or another sanction given.</p>
Total number of Financial Investigations carried into Q2	25	
Tenancy Fraud Team prevent, identify, investigate, deter and sanction or prosecute persons that commit tenancy fraud in Barnet, ensuring maximising properties back to the council where Tenancy Fraud has been proven. CAFT provide a detailed monthly statistical report, along with a more comprehensive half year and year-end report to Barnet Homes outlining how many properties have been recovered, along with a list of all referrals from the neighbourhood officers and the status of the cases referred.		
Number of carried forward Tenancy Fraud Investigations from 18-19	100	
Number of new Tenancy Fraud Investigations	64	
Number of new Right to Buy Applications received for verification	38	Since April 2017 CAFT hold the responsibility for vetting all Right to Buy Applications submitted to Barnet Homes.
Number of matters dealt with in Q1	202	
Number of Tenancy Fraud Investigations closed due to property being recovered	10	7 relate to standard tenancies where 2 were recovered via civil action due to subletting and 5 were voluntarily surrendered as a result of the CAFT investigation

		<p>3 relate to emergency housing where the property was recovered.</p> <p>A sample of noteworthy cases are referred to in Section 4 of this report</p>
Number of investigations closed relating to Housing Applications that were denied as a result of CAFT intervention	2	CAFT work closely with the Housing Options Team and carry out verification exercises for identifying inaccurate information being submitted on housing application forms. These exercises allow us to reserve the housing wait waiting list for only those who have a legitimate need for social housing
Number of Right to Buy verifications closed due to applications being denied because of CAFT intervention	5	The Right to Buy scheme helps eligible council and housing association tenants in England to buy their home at a discount
Number of Right to Buy verifications closed as eligible to apply	28	All Right to Buy cases are now validated by CAFT. These cases were validated has having no issues and so allowed to progress through the RTB system
Number of Tenancy Fraud Investigations closed as No Further Action.	66	These cases were investigated but no tangible evidence was identified to substantiate the allegations. <i>The cases were closed as Insufficient Evidence or No Fraud Identified</i>
Total number of cases closed in Q1	111	
Total number of on-going Tenancy Fraud Investigations.	82	Of these cases 6 are with legal awaiting Criminal prosecution and 3 is with legal awaiting Civil action.
Total number of on-going Right to Buy Investigations.	9	
Number of Tenancy Fraud investigations carried into Q2	91	
Other information reported as per requirements of policy.		
Number of requests authorised for surveillance in accordance with Regulation of Investigatory Powers Act 2000 (RIPA).	1 this quarter. This statistic is reported for information purposes in accordance with our policy and statistical return to the Office of Surveillance Commissioners.	
Number of matters received under the council's whistleblowing policy.	1 this Quarter - information was already known to CAFT as relates to ongoing investigation.	

4. Noteworthy investigation summaries: -

Corporate & Financial Fraud

Case 1 – relates to a case that was part of our partnership working with the London Borough of Enfield. 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 2 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 Enfield. This resulted in a confiscation order being made for the sum of £42,000. The defendant was also fined £7,500 and ordered to pay costs of £17,500. Under the terms of the joint working agreement CAFT will receive £4,200 and £320 in costs

Case 2 – relates to an allegation of a school application had been made where a family moved from an address to a rented property within the catchment area. However, they still had control of the original property and intended to move back to that property after the school place had been allocated to their child. Enquiries were made at the rented address and the family were confirmed as living there and stated they had sold the other address. On reviewing the sale, it appeared that the property was bought by a family member and the rented accommodation is owned by the same family members company. Due to the findings of this investigation, the school Admissions department have determined that the on balance of probabilities the family are likely to move back to the larger property once the child is attending the new school. They therefore withdrew the school place.

Concessionary Travel Fraud

Case 3 relates to the use of a stolen blue badge on two separate occasions, the defendant was found guilty on 11th June at Willesden magistrates court of two offences under the Road Traffic Regulation Act 1984 and was sentenced to a fine of £1000 and ordered to pay costs to the sum of £500 and £50 victim surcharge

Case 4 relates to the misuse of an expired blue badge, whereby the defendant had deliberately altered the badge in an attempt to make it appear as still valid, the defendant was found guilty of offences under the Road Traffic Regulation Act 1984 for the use of the badge and under the Fraud Act 2006 for the altering of the badge, as a result they received a community order for 12 Months with 140 Hours of unpaid work and were disqualified from driving for a period of 56 days, and ordered to pay £400 costs and £85 victim surcharge.

Case 5 relates to the misuse of a child's blue badge whilst the child was attending school on two separate occasions, the defendant was found guilty of two offences under the Road Traffic Regulation Act 1984 and was sentenced to a fine of £440 (£220 for each offence) and ordered to pay costs to the sum of £733.44 and £30 victim surcharge

Case 6 relates to the use of a stolen blue badge in a resident bay, the defendant was found guilty of offences under the Road Traffic Regulation Act 1984 for the use of the badge and under the theft Act for having the stolen badge in their possession, they were sentenced to a fine of £500 and ordered to pay costs of £500 and £50 victim surcharge

Simple Cautions (formally known as Formal or Police Cautions)

The aims of the simple caution scheme are:

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

16 Simple Cautions were administered by CAFT in Q1 where disabled blue badges were found being misused. Following investigative interviews under caution, the circumstances of these cases allowed CAFT to consider them to be dealt with by way of the administration of a Simple Caution.

These cases related to instances of straight forward misuse that took place. These include situations where errands were being run by family members on behalf of the badge holder such as the collection of medication or food. The offenders stated that they had the badge holder's permission and believed that the badge could be used for such action. However, when the Blue Badge scheme was explained to them they realised that their

actions fell outside of what was permitted. In such cases Barnet can consider and if appropriate issue a simple caution rather than pursue the matter through the courts.

Tenancy Fraud Investigations

Miss A had a one bedroom flat in Edgware, a referral was received due to a Barnet Social Worker informing the housing team that the tenant was no longer resident, the resulting CAFT investigation found that the tenant was no longer living in the property but was instead living in a care home. The tenant returned the keys and the property was recovered, due to the mitigating circumstances relating to the health of the tenant no further action was taken in this case.

Miss B had a one bedroom flat in Whetstone, a referral was received from the gas team due to them not being able to gain entry to the property to carry out the relevant checks. The resulting CAFT investigation obtained evidence that showed the tenant had been in hospital for some time and was under the care of Islington Social Services due to mental health issues. When the tenant was discharged from hospital, it was to a close relative's address with no prospect of returning to the address in Whetstone. There was no suggestion of any sub-letting so the keys were returned and the property recovered.

Mr C had a one bedroom flat in Hendon, an anonymous referral was received which stated the tenant was not resident and that the property was being sub-letting. The CAFT investigation found that the tenant had allowed a friend to live in the property, whilst he had lived elsewhere. The investigation also found that the tenant was suffering from mental health issues. He was placed into supported living accommodation and the keys to the social housing property were returned.

Miss D had a two bedroom flat in Mill Hill. An investigation started due to the gas team needing to force entry to a property where the tenant could not be contacted. The matter was referred to CAFT which resulted in the investigation uncovering evidence that the tenant was in fact living abroad. It was identified that three men were unlawfully occupying the property, however, due to the tenant not being in the UK, it was not possible to initiate subletting proceedings, the matter was therefore taken to civil court where outright possession was granted and the property was recovered through eviction.

Mr E had a one bedroom flat in Cricklewood, a referral was received from the caretaker 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 with his partner elsewhere whilst letting his friend live in the tenancy address. The tenant attended an interview under caution where he fully admitted not living in the property for at least two years and allowing his friend to live there rent free. He voluntarily returned the keys and the property was recovered. The matter has been referred to Barnet's legal team for prosecution under the Prevention of Social Housing Fraud Act.


Miss F had a three-bedroom house in Mill Hill. A referral was received from Barnet Homes who had concerns that the tenant was possibly living abroad. A CAFT investigation was started and the evidence obtained confirmed the tenant had been living in Uganda for the past 5 years. Further investigation found that the tenant had passed away whilst in Uganda. An application from her daughter to succeed the tenancy was submitted as it was claimed she was still living in the property and that she could take over the tenancy. CAFT identified that the daughter was also living abroad and therefore had no succession rights to the property. The matter was passed to our legal team and went to civil court where outright possession was granted and an eviction took place to recover the property.

Miss G had a temporary accommodation four bedroom flat in St Albans. A referral was received from Barnet Homes who had concerns the tenant was not resident due to lack of contact. The resulting CAFT investigation obtained evidence confirmed that the tenant was in fact living abroad with no intention to return. The temporary accommodation was therefore cancelled and the property recovered.

Mr H had a temporary accommodation bedsit. A referral was received from Barnet Homes who had concerns that the tenant was not living in the property due to the lack of contact. A CAFT investigation showed that the tenant had indeed abandoned the bedsit and was now untraceable. The property was recovered.

Mr I had a three bedroom Tenancy and submitted a right to buy application. All right to buy applications are vetted by CAFT. The resulting investigation obtained evidence that showed the tenant had tried to hide the fact he was a director of his own company and his income was far greater than declared when he first made his homeless application 6 years earlier. The tenant was given an opportunity to explain this during an interview under caution however, he decided to make no comment but instead surrendered the keys to the property. The case is now being prepared for legal with a view to prosecute due to the false application.

This page is intentionally left blank

	<p style="text-align: right;">AGENDA ITEM 13</p> <p style="text-align: center;">Audit Committee 16 July 2019</p>
<p style="text-align: right;">Title</p>	<p>External Auditor's Audit Completion Report for the year 2018/19</p>
<p style="text-align: right;">Report of</p>	<p>Director of Finance</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A – Draft Audit Completion Report [TO FOLLOW] Appendix B – Summary of changes from the draft accounts [TO FOLLOW]</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Anisa Darr –Director of Finance, Anisa.Darr@barnet.gov.uk 020 8359 7634</p>

Summary

This report is a draft covering report, which will be replaced with the final version when the Appendices are available for publication.

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

The draft financial statements were published on 30 May 2019 and distributed to the audit committee a day earlier than the date required by the Accounts and Audit Regulations 2015. The draft accounts can be found at the following link <https://www.barnet.gov.uk/your-council/finance-funding-and-pensions/statement-accounts>

The final accounts, including the Pension Fund accounts, are required to be approved and published by 31 July 2019.

The audit has identified the need for some minor amendments to the Core Statements and some Disclosure Notes. These will be reflected in the final published accounts. A List of these amendments is shown in Appendix B

--

Recommendations
1. That the Committee approve the Statement of Accounts for 2018/19 and recommend that they be signed by the Chairman and the Director of Finance (Statutory 151 Officer) on behalf of the Council.
2. That the matters raised by the external auditor relating to detailed aspects of the 2018/19 accounts audit be noted.

1. WHY THIS REPORT IS NEEDED

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

2. REASONS FOR RECOMMENDATIONS

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

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable

4. POST DECISION IMPLEMENTATION

- 4.1 Not applicable

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

Review of reports made under International Standard on Auditing (ISA) 260 are an integral part of corporate governance. This is in line with Barnet’s Corporate Plan – to make sure Barnet is a place “*where services are delivered efficiently to get value for the taxpayer*”. The Annual Statement of Accounts are the primary means by which the Council is held to account for the stewardship of its resources.

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

- 5.2.1 The Statement of Accounts shows the financial position of the council as at 31 March 2019

5.3 Social Value

- 5.3.1 None in the context of this decision

5.4 Legal and Constitutional References

- 5.4.1 Section 151 of the Local Government Act 1972 requires that “...every local authority shall make arrangements for the proper administration of their financial affairs”.
- 5.4.2 The Council is a public authority that is subject to the audit of its annual accounts by an external auditor. The Local Audit and Accountability Act 2014, Part 5 specifies the conduct of local audit.
- 5.4.3 Section 9 of the Accounts and Audit Regulations 2015 requires that the statement of accounts must be considered by a committee or full council and approved by a resolution of that body. The accounts must then be signed by the person presiding at the meeting. The Section 151 officer must then re-confirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the authority and its income and expenditure for that year.
- 5.4.4 The 2015 Regulations also require that the accounts are published by 31 July 2019.
- 5.4.5 International Standard on Auditing (UK and Ireland) 260 deals with the auditor’s responsibility to communicate with those charged with governance in an audit of financial statements. A link to the website containing ISA 260 can be found at [https://www.frc.org.uk/getattachment/0240d0ea-d80f-4191-bf26-e29f98093cda/ISA-\(UK\)-260-Revised-June-2016_final.pdf](https://www.frc.org.uk/getattachment/0240d0ea-d80f-4191-bf26-e29f98093cda/ISA-(UK)-260-Revised-June-2016_final.pdf).
- 5.4.6 Article 7 of the Council’s Constitution details the functions of the Audit Committee and include “*To review and approve the annual statement of accounts and consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts*”.

Risk Management

- 5.4.7 A positive external audit opinion on the council’s Statement of Accounts plays an essential and key role in providing assurance that Barnet’s financial risks are managed in an environment of sound stewardship and control.
- 5.4.8 There are no key risks relating to the production, audit or publishing of the Statement of Accounts identified in the Council’s risk register.

5.5 Equalities and Diversity

- 5.5.1 Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community, to reduce the differential impact of the services received by all of Barnet’s diverse communities and to ensure compliance with the council’s duties under the 2010 Equality Act.

5.6 Consultation and Engagement

- 5.6.1 None in the context of this decision

6. BACKGROUND PAPERS

6.1 None

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

Subject	Decision requested	Report Of	Contributing Officer(s)
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	
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

Subject	Decision requested	Report Of	Contributing Officer(s)
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
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

Subject	Decision requested	Report Of	Contributing Officer(s)
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		