

**MEETING**

**AUDIT COMMITTEE**

**DATE AND TIME**

**WEDNESDAY 30TH OCTOBER, 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 Kathy Levine

Councillor Arjun Mittra

Councillor Alison Moore

Councillor Alex Prager

**Independent Members**

Geraldine Chadwick

Richard Harbord

**Substitute Members**

Councillor Melvin Cohen

Councillor Lachhya Gurung

Councillor Anne Hutton

Councillor Reema Patel

Councillor Lisa Rutter

Councillor Alan Schneiderman

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

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions must be submitted by 10AM on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is Friday 25th October at 10AM. Requests must be submitted to Maria Lugangira at [maria.lugangira@barnet.gov.uk](mailto:maria.lugangira@barnet.gov.uk)

**Andrew Charlwood – Head of Governance**

Governance Services contact: Maria Lugangira 020 8359 2761

Media Relations Contact: Gareth Greene 020 8359 7039

**ASSURANCE GROUP**

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## 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 (If any)	
6.	Members' Items (If any)	
7.	Internal Audit Exception Recommendations Report and Q2 Progress Report 1st July to 30th September 2019	11 - 60
8.	Corporate Anti-Fraud Team (CAFT) Q2 Progress Report 2019-20	61 - 74
9.	Final external auditors report 2018-19	75 - 146
10.	Annual Audit Letter 2018/19	147 - 164
11.	Committee Forward Work Programme	165 - 168
12.	Any item(s) the Chairman decides are urgent	

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## Decisions of the Audit Committee

16 July 2019

Members Present:-

AGENDA ITEM 1

Councillor Rohit Grover (Chairman)  
Councillor Peter Zinkin (Vice-Chairman)

Councillor Laithe Jajeh  
Councillor Kathy Levine  
Councillor Arjun Mitra

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 1 May 2019 were agreed as a correct record.

### 2. ABSENCE OF MEMBERS (IF ANY)

An apology for lateness was received from Richard Harbord, Independent Member.

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

Member	Item	Interest Declared
Councillor Alison Moore	Item 11 - Internal Audit Exception Recommendations Report and Q1 Progress Report 1st April to 30th June 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 9 – Annual Governance Statement and Code of Corporate Governance.

## 6. MEMBERS' ITEMS (IF ANY)

None.

## 7. REPORT OF THE CHIEF EXECUTIVE

The Chief Executive presented the report which provided the Committee with a detailed update on the progress made against the key governance and organisational challenges first reported to the Audit Committee in July 2018. The concerned the following areas:

- Children's improvement
- Improvement to Financial Controls
- Review of CSG and RE contracts
- Budgetary control and financial planning
- Council management structure; and
- Review of Governance

He further provided a summary on the plans put in place to address each of these areas.

**RESOLVED – That the Committee noted and commented on the report.**

## 8. ANNUAL INTERNAL AUDIT OPINION 2018-19

The Head of Internal Audit presented the Opinion which covered the internal audit work completed during the year up 31 March, including the increased focus on follow-ups from previous audit recommendations. The Opinion was also informed, where appropriate, by other third-party assurances, for example Ofsted and the Pensions Regulator.

With regards to the Limited Assurance Opinion for 2018/19 she explained this was consistent with previous year's Opinion. In 2018/19, 25% of audits received either No Assurance or Limited Assurance rating – these were:

- Temporary and Interim Work Force
- Schools Payroll
- Non-Schools Pay
- Facilities Management
- Equalities Data – Quality and Analysis
- Onboarding

She further explained that during this period due to agreed audit actions not being implemented within the agreed the time scales, performance against the 90% target was not met in any of the quarters during 2018/19. But she confirmed that in Q4 82% were implemented due to additional support and escalation by the Chief Executive.

With regards to the Grant Thornton review of the Compulsory Purchase Order (CPO) fraud 4 of the 32 actions remained partly implemented as at 31 March 2019

In conclusion, the key themes that led to the Limited Assurance Opinion were

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

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

**9. ANNUAL GOVERNANCE STATEMENT AND CODE OF CORPORATE GOVERNANCE**

The Director of Assurance presented the Annual Governance Statement (AGS) and Code of Corporate Governance. The Annual Governance Statement outlined the governance framework, any significant governance issues that had been identified and what steps were being taken to mitigate those issues.

Reported alongside the AGS is the Code of Corporate Governance which is prepared in accordance with the CIPFA Delivering Good Governance in Local Government Framework 2016. Included in the code, the principle and sub-principles of good governance and how the council complies with them.

**RESOLVED -**

- 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**

**10. ANNUAL REPORT OF THE AUDIT COMMITTEE 2017-18**

The Chairman introduced the report which set how the Audit Committee had met its objectives. It further detailed the work undertaken by the Committee to date and the outcomes achieved in 2018-19.

**RESOLVED – That the Committee recommend Full Council 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.**

**11. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS REPORT AND Q1 PROGRESS REPORT 1ST APRIL TO 30TH JUNE 2019**

The Head of Internal Audit presented the reported which detailed the progress made against internal audit recommendation and work completed to date on the Internal Audit and Corporate Anti-Fraud (CAFT) plan 2018-19 and high priority internal audit recommendations. During this quarter (Q1) 15 reviews were completed, exceeding the target for the quarter.

Pension Fund Finance and Investment

It was noted that although the fund had a well-defined process for reviewing investment performance and recording transactions, there were weaknesses in monitoring the contributions due to the scheme.

It was further noted that there were a number of outstanding agreements with admitted bodies, including 13 admission agreements, 5 cessation agreements and the renewal of 10 admission bonds.

She confirmed that actions had been agreed with the Pensions and Treasury team to be implemented by 30th September and reported to the October meeting of the Audit Committee.

Hasmoneon Primary School and Menorah Foundation School

She confirmed that actions had been agreed with each school and with implementation by the end of the summer term. Progress on this would be reported back to the October meeting of the Audit Committee.

**RESOLVED - That the Committee note the work completed to date on Internal Audit Q1 progress report - 1<sup>st</sup> April to 30th June 2019**

**12. EXTERNAL AUDITOR'S AUDIT COMPLETION REPORT FOR THE YEAR 2018/19**

Leigh Lloyd Thomas from BDO, the Council's External Auditor, presented the Statement of Accounts and External Auditor's Audit Completion Report. The report summarised the results of the completing the planned audit approach for the year end 31 March 2019.

He explained that it was anticipated they would be issuing an unmodified opinion for the Council and consolidated Group financial statements

The audit identified some minor amendments to the Core Statements and Disclosure Notes. These amendments were set out Appendix B and would be reflected in the final published accounts.

Councillor Zinkin, duly seconded proposed the following amendments to the recommendations:

1. Recommendation 1 **(amended to read as follow)**: The committee approves, **subject to their being no material amendments**, the Statement of Accounts for 2018/19 and recommend that they be signed by the Chairman and the Director of Finance (S151 Officer) on behalf of the council.
2. **(add new recommendation 2)** Recommendation 2: The committee delegates to the Director of Finance (S151 officer) the ability to make necessary amendments to the Statement of accounts, in so far as there is no impact on the General Fund, based on any subsequent material findings of the External Auditor.
3. Recommendation 3 **(previously recommendation 2 remains the same)**: That the matters raised by the external auditor relating to detailed aspects of the 2018/19 accounts audit be noted.

The amendments were unanimously agreed.

**RESOLVED -**

1. The committee approves, subject to their being no material amendments, the Statement of Accounts for 2018/19 and recommend that they be signed by the Chairman and the Director of Finance (S151 Officer) on behalf of the council.
2. The committee delegates to the Director of Finance (S151 officer) the ability to make necessary amendments to the Statement of accounts, in so far as there is no impact on the General Fund, based on any subsequent material findings of the External Auditor.
3. That the matters raised by the external auditor relating to detailed aspects of the 2018/19 accounts audit be noted.

**13. CORPORATE ANTI-FRAUD TEAM (CAFT) Q1 PROGRESS REPORT 2019-20**

**RESOLVED – That the Committee note the CAFT Progress Report covering the period 1st April – 30th June 2019**

**14. COMMITTEE WORK PROGRAMME**

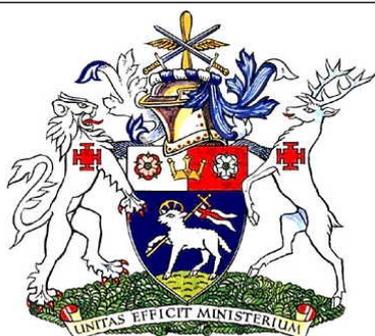
**RESOLVED – That the Committee noted the work programme.**

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

None.

The meeting finished at 9.56 pm

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## Audit Committee

### 30th October 2019

<b>Title</b>	<b>Internal Audit Exception Recommendations Report and Q2 Progress Report 1<sup>st</sup> July to 30<sup>th</sup> September 2019</b>
<b>Report of</b>	Head of Internal Audit
<b>Wards</b>	Not applicable
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	<b>Appendix 1</b> - Internal Audit Q2 progress report (1 <sup>st</sup> July to 30 <sup>th</sup> September 2019)
<b>Officer Contact Details</b>	Caroline Glitre, Head of Internal Audit <a href="mailto:caroline.glitre@barnet.gov.uk">caroline.glitre@barnet.gov.uk</a> 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 2 the service has issued 13 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:

		<b>Assurance rating</b>
1	Highways Programme	No Assurance
2	Accounts Payable	Limited Assurance

3

St. Michael's Catholic Grammar 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>

### Grant Thornton Review of the Financial Management Relating to Compulsory Purchase Order (CPO) Fraud

In the 2019/20 Internal Audit plan we committed to completing our work on the remaining GT actions as part of the following reviews. A summary of the current status is below:

GT ref	GT finding	Priority	Audit	Status
GT4	Managing access and authorisation rights on IT systems	High	Follow-Up of Integra Access & Program Change Management audit  HR Processes (post insourcing)	In Progress
GT15	BACS process for new suppliers	High	Accounts Payable	Implemented
GT21	Capital Budgets (BDM)	High	Capital Budget Monitoring	Implemented
GT16	Duplicate banking details	Medium	Accounts Payable	Implemented
GT20	Capital Budget Review	Medium	Capital Budget Monitoring	In Progress

#### High priority follow-ups

During the quarter we have followed up a total of 40 high priority actions due by the end of September 2019.

In Q2 we have confirmed the following:

Implemented	31	78%
In Progress*	9	22%
Not Implemented	0	0%
	40	

Follow up Actions Summary	Total	Completed	Substantial progress	Reasonable Progress	Some/Limited Progress
Total Number of Actions	40	31	4	4	1
Percentage of Actions		78%	10%	10%	2%

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

### **Medium priority follow-ups**

During 2018/19, a significant amount of work was undertaken by the Council to strengthen its control environment after the Council suffered a £2m fraud. As part of this, the Internal Audit service submitted a successful growth bid and received additional funding. Part of the rationale for this was to enable the service to provide additional assurance that where internal audit has raised recommendations in the past, that these have indeed been implemented.

In the past, as a service we have only routinely followed up high priority actions to confirm their implementation. The outcome of this work is reported to the Audit Committee on a quarterly basis. We would also follow-up other actions, particularly medium priority actions, when we next visited the area under review. However, this could be several years later.

From now on, as part of the rolling internal audit plan, we propose to follow up a sample of medium priority actions throughout the year. This would be done on a 'spot check' basis, with services being notified at the beginning of each quarter which actions we will be reviewing. When selecting our sample of actions to test, a primary focus will be to confirm that actions relating to financial and fraud risk have been implemented. The outcome of this work would be summarised and reported to the Audit Committee on a quarterly basis from Q3 onwards.

From 2019/20 the Policy & Resources Committee have a new reported indicator as follows:  
**P&R 5:** Timely implementation of high and medium audit recommendations relating to fundamental financial systems

The spot checks of medium-priority actions will enable us to report against this indicator.

## **Recommendations**

- 1. That the Committee note the work completed to date on Internal Audit Q2 progress report - 1<sup>st</sup> July to 30th September 2019.**
- 2. That the Committee approve the approach to following up a sample of medium priority audit actions and reporting the outcome to the Audit Committee.**

## **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.
- 2.2 The change in approach, whereby a sample of medium priority audit actions will be followed up and the outcome reported to Audit Committee, will lead to a change to the Internal Audit Charter.

## **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 Article 7 of the Council's Constitution, 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>

# Internal Audit – London Borough of Barnet

Appendix 1



## ***Internal Audit Q2 Progress Report 1 July – 30 September 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 13 reviews in the quarter and delivered 42% of our 2019/20 internal audit programme for the year, which is below the 51% target for Q2. This is due to the restructure within the Internal Audit team and having two vacant posts, one of which was filled in August and the other in September. Embedding new staff and allowing for training and induction has impacted upon delivery of the plan.

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

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

- **Highways Programme** - No Assurance
- **Accounts Payable** – Limited Assurance
- **St Michaels Catholic Grammar School**– Limited Assurance

Regarding the Highways Programme ‘No Assurance’ report, we have followed up during the quarter to provide an updated status to the Audit Committee. At time of writing the status is as follows; a further verbal update will be given at the Committee.

The audit raised six high priority findings, which we have also followed up during Q2. The current status is:

Implemented	3
In Progress – Substantial progress made - verbal update to be given to Audit Committee	3

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

### 1.3 Findings of our Follow Up Work

1.3.1 We have undertaken follow up work on all high priority actions with an implementation date of 30<sup>th</sup> September 2019 or sooner. We have discussed with management the progress made in implementing actions falling due in this period and have sought evidence to support their response. A total of 40 high priority actions have been followed up this quarter:

31 actions have been confirmed as implemented (78%); and

9 have been partially implemented (22%).

Follow up Actions Summary	Total	Completed	Substantial progress	Reasonable progress	Limited progress
Total Number of Actions	40	31	4	4	1
Percentage of Actions		78%	10%	10%	2%

Overall, this performance is below the target of 90% being implemented but it is an improvement on the performance in Q1, when 73% 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 4.

### 1.4 Other Matters

#### 1.4.1 Grant Thornton Review of the Financial Management Relating to Compulsory Purchase Order (CPO) Fraud

During Q2, we have continued to monitor progress against the remaining 'GT actions'.

In the 2019/20 plan we committed to completing our work on these as part of the following reviews. A summary of the status is below:

GT ref	GT finding	Audit	Status
GT4	Managing access and authorisation rights on IT systems	Follow-Up of Integra Access & Program Change Management audit  HR Processes (post insourcing)	<b>In Progress</b> Limited progress has been made.  This is linked to the follow-up action from the Integra Access and Program Change Management audit. See summary in section 4, item 4.
GT15	BACS process for new suppliers	Accounts Payable	Implemented
GT21	Capital Budgets (BDM)	Capital Budget Monitoring	Implemented
GT16	Duplicate banking details	Accounts Payable	Implemented
GT20	Capital Budget Review	Capital Budget Monitoring	<b>In Progress</b> Limited progress has been made.  The budgets in Capital Monitors and Integra, the finance system, now align.  However, not all capital budget managers have yet received training on capital budget monitoring principles and Integra BDM operation. Our testing found some exceptions to expected processes confirming that this training is needed.  In addition, Finance Business Partners did not always provide capital budget monitors to budget managers for completion within 2 days as required (7/39 exceptions noted).

We will continue to report progress against the two outstanding actions, GT4 and GT20, to future meetings of the Audit Committee.

### **1.5 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 Highways Programme – No Assurance

August 2019

#### Number of findings by risk rating

Critical	0
High	6
Medium	0
Low	0
Advisory	1

#### Background

A review of the Highways Programme was commenced in January 2018 covering the following scope areas:

- Payment process (Conways Aecom) - focusing on Re management of Conways Aecom
- Highways Programme Expenditure (including SPIRs) – focussing on Council management of SPIRS; and
- Implementation of previous audit recommendations – focussing on Re management of Conway Aecom.

It was mutually agreed with Re to delay the fieldwork on this review. This was due to the capacity needed within Re and the internal audit team to undertake work in response to the Grant Thornton review of Financial Management relating to CPO Fraud.

#### Summary of Findings

The audit identified 6 high risk findings.

We identified the following issues as part of the audit:

#### Payment process (focusing on Re management of Conway Aecom)

- **Invoice validation (finding one, high):** We tested a sample of 25 invoices for evidence of related quality checks and inspections of works and the appropriate certification of invoices. Evidence such as invoices, e-mail trails of certification for payment, site inspection sheets, photographs of works, task completion sheets and bills of quantities was made available to us in shared folders for review. Where we were unable to match documentation to the relevant works, we recorded it as an exception. In relation to validation of invoices for payment we found as follows:
  - Certification: 14/25 (56%): The invoices were not certified for payment by the appropriate budget manager. Of these:
    - 12/14: Invoices were certified by 2 officers; however, they were not the relevant budget managers for the applicable cost centre.
    - 2/14: There was insufficient evidence in Integra and provided to us for review of appropriate certification of the invoice for payment.
  - Invoice calculations: 16/25 (64%): We were not able to reconcile the invoice amounts to supporting calculations, normally the related bill of quantities

- Quality checks: 20/25 (80%): Complete evidence of quality checks and checks for completion of works were not available for inspection. Of these:
  - For 6/20 (30%), there was no evidence of site inspections / quality checks of works provided to us for inspection
  - For 14/20 (70%), varying evidence of inspection and quality checks were available, so for example some had site inspection sheets and task completion certificates without photographs while some had photographs without site inspection and task completion certificates.

#### **Highways Programme Expenditure (including SPIRs) – focussing on Council management of SPIRs**

- **Initiation of Special Projects (finding two, high)** – We noted the following issues:
  - Schedule 15 of the Joint Venture Contract: Schedule 15 of the Regional Enterprise joint venture contract (Special Projects Approval Procedure) describes the process to be followed by the Council (the Authority) and Re (the Service Provider) in commencing a special project. Management confirmed that Highways Special Projects are not initiated as per Section 15 in its entirety. We considered that the process for approving Highways SPIRs should be reviewed and documented.
  - Completion of *Confirmation and Progress of Special Project Acceptance* checklist: We found a ‘SPIR template’ is completed through negotiation between LBB and Re which is then signed off by the Council. The document includes a section headed ‘*Confirmation and Progress of Special Project Acceptance*’ to document that the proposal has been sent to Re and their response received, as well as dates of Senior Responsible Officer (SRO), Commercial, Finance and Performance Management Team sign off. The final step is for the Strategic Director to sign and date the document. We selected six completed SPIRs templates – three from 2017/18 and three from 2018/19 and noted for:
    - 3/6 (50%) SPIR documents contained empty fields which should have been completed by the Commercial Team to record their approval for the draft document to be sent to Re for consideration;
    - 6/6 (100%) documents had blank fields to confirm that Re had considered the request, given feedback and there was a decision by the Commissioning lead to approve the SPIR upon Re’s response;
    - 5/6 (83%) documents contained blank fields which should have been completed to confirm sign off by the SRO, Commercial, Finance and Performance Management Teams;
    - 1/6 (17%) document the field for finance approval was blank. In addition, it had a date when the SRO, Commercial, and Performance Management Teams signed off the SPIR; however, we considered the name of the approver within these teams should also be inserted into the form.
    - 5/6 (83%) documents contained a picture of the Strategic Director’s signature to act as sign off. We considered that, given the amount of funding involved, £1.6m across the 5 SPIRs, a ‘wet signature’ should be added to the document; and
    - 1/6 (17%) requests had sign off by the Strategic Director for Environment but there was no date

of approval within the document.

- Timeliness of SPIR approvals: We selected six SPIRs approved since October 2017 and sought evidence to confirm that work has not commenced before the SPIR was approved by the Strategic Director. We noted the following issues:
  - One SPIR related to work approved at Area Committees in February and March 2017. The SPIR was approved in October 2017, before payments had been made, but we found instances where work within the SPIR had already been completed and reported as such within Area Committee papers before the date the SPIR was approved;
  - One SPIR related to Moving Traffic Contraventions (MTC) Phase 3 installation. As there was no date within the document to show Strategic Director sign off, we were unable to ascertain whether the SPIR was signed off before a payment of £9,728 on 23 May 2018;
  - One SPIR related to Watling Car Park Improvements to support the Colindale office. The SPIR contained a capped budget of £20,000 for both Phase 1 and 2. We asked LBB Finance if any invoices had been paid against this SPIR who stated that this information was not readily at hand and would 'take a lot of time for someone to confirm'. We considered there should be a clear record of SPIRs raised, the amount of funding approved and a breakdown of payments made by the Council against the SPIR to ensure agreed limits are not breached.
  - One SPIR related to Network Recovery Plan (NRP) for 2018/19. Whilst payments had not been made against this SPIR at the time of our fieldwork, we did note that page 10 of the document stated that milestone payments will be made quarterly including in June and September 2018; however, the SPIR was not signed off until December 2018;
  - One SPIR related to works approved at Local Area Committees in October, November and December 2017. We found the SPIR was not approved until 28 August 2018. We selected three schemes within the SPIR and noted:
    - Village Way (approved at Finchley and Golders Green Area Committee) - in February 2018 it was reported back to the committee that £1,579 had been spent against this scheme, before the SPIR was approved. No other payments had been made.
    - Traffic management at Ellesmere Avenue (approved at Hendon Area Committee) in June 2018, it was reported back to the Area Committee that the work had been completed. The work was completed before the SPIR was signed off. We could not find evidence that payment had been made to Re regarding this work as there was no clear audit trail relating to payments made against individual SPIRs.

- Speed survey at Rusdene Avenue/Church Hill Road (approved at Chipping Barnet Area Committee in October 2017) the results of the survey were reported back to the committee in 19 February 2018, before the SPIR was formally approved
  - Highways 'at risk' monies: During our 2017/18 Community Infrastructure Levy and S106 (Phase II: Income) Audit we identified a pool of monies collected because of S106 agreements which had not been spent and was at risk of 'claw back' by developers. This was calculated to be £689K relating to Highways monies. At the time management confirmed that the highways funds would be spent as a matter of priority through a series of highways SPIRs; however, in this review we noted that the related SPIRs were not formally approved until 12 June 2019. We considered that given the monies were 'at risk' the documentation should have been formally approved sooner, indicating an issue regarding timeliness of SPIRs.
- **Quality of SPIRs documents (finding three, high)** – We selected six SPIRs documents to support initiation of Special Projects and inspected them for transparency of costs as well as their quality. We noted the following issues:
  - One SPIR related to the Local Infrastructure Plan 2018/19. We noted the SPIR document made reference to appendices which were not included within the document. Three SPIRs documents (Work approved at Area Committees in February and March 2017, Watling Car Park Improvements and Moving Traffic Contraventions (MTC) Phase 3 installation) contained a resource plan which did not break down the amount of hours' work required at each rate to show how the estimated fee cost, £84K across the three SPIRs, was arrived at.
  - One SPIR related to Moving Traffic Contraventions (MTC) Phase 3 installation but made reference to Area Committee schemes approved in February and March 2017 which did not appear relevant to the SPIR in question. Additionally, it referenced a total budget of £54K as opposed to the cost of the SPIR (£20K).
  - One SPIR related to Network Recovery Plan (NRP) for 2018/19 and stated that a KPI would be included and within the KPI definition there would be an element of service deductions. This would be applicable to underperformance against the Work Plan. We could not find evidence as to the nature of this KPI nor that it was operating as per the SPIR template. Additionally, the SPIR contained a resource plan for £577K but the value of the SPIR was £543K. We found that the reduction was a commercial agreement between LBB/Re but considered this should have been included within the SPIR template to show transparency of costs.
  - One SPIR related to works approved at Local Area Committees in October, November and December 2017 and listed work totalling £82,850. On recalculating the costs as listed in appendices the total costs were £64,850, not £82,850 as per the SPIR document.

- **Timesheet data (finding four, high)** - Re Officers and Managers book hours to timesheets which is later used to support hours worked on Special Projects and demonstrate to the Council costs incurred by Re. We found these were provided to the Council in the form of an excel spreadsheet; however, we noted there was no agreement between LBB or Re to understand the data quality arrangements in place. We considered that Re and LBB should work together for the Council to be granted suitable assurance that the timesheets submitted are accurate and complete.
  
- **SPIR Invoice Approvals (finding five, high)**
  - We noted that there was no clear agreed process regarding Purchase Orders (POs) and payment of invoices relating to SPIRs and a lack of clarity regarding who is responsible for approving invoices, in particular the role of LBB Finance in approving invoices.
  
  - We asked the LBB Finance Team to provide us with a list of invoices which had been raised against one SPIR. We were informed that they do not hold a list of invoices made against each SPIR as individual invoices can cover many SPIRs and there may be more than one PO per SPIR. Through our discussion we were also informed that Council records do not always reconcile with those held by Re.
  
  - Management confirmed that there should be oversight and/or approval by the following teams before the work is goods receipted in Integra and payment released:
    - Senior Responsible Officer; and
    - LBB Finance Team

We noted that there was a lack of clarity regarding the involvement and role of the Commercial/Programmes Team in oversight of invoices prior to payment.

We selected eight invoices relating to SPIRS and asked for evidence that they had been authorised by the Senior Responsible Officer. We found that for:

- For 2/8 (25%) there was no evidence on file at all to confirm the invoice was authorised for payment; and
- For 1/8 (13%) invoices there was no evidence to confirm the Senior Responsible Officer had formally approved the invoice to be paid. We were provided with email evidence that the budget holder had made the finance team aware of the invoice but we considered there should be formal approval on file.

#### **Implementation of previous audit recommendations – focussing on Re management of Conway Aecom**

- **Implementation of recommendations (finding six, high):** In relation to the follow-up component of the audit, were we sought to confirm that actions resulting from our Highways Managed Budgets review in March 2016

and Highways Programme audit in March 2017 have been appropriately actioned by management, we found that only 10/16 (62%) of actions had been fully implemented.

**Appropriate actions were agreed, with due dates of 16<sup>th</sup> September 2019. We have followed-up to confirm implementation of the findings - see current status in Section 4. In summary, the status at the time of this report is as follows. A further verbal update will be given to the Audit Committee.**

### **Agreed Actions, Due Date and status at 30 September 2019**

#### **1. Payment Process – Invoice Validation**

- a. Purchase orders for all Highways works will be approved by the appropriate budget manager in line with the prevailing Financial Scheme of Delegation (SoFD). Evidence linking invoices to works approved by Members or related variations will be retained for inspection.
- b. Works, including variations to works, will be appropriately approved before their commencement in line with available budget.
- c. Evidence will be retained to confirm that all works that have been invoiced by Conway Aecom have been completed to the appropriate standard. The type of evidence required to be retained will be documented and communicated to all teams across Re Highways service.
- d. Documentation supporting invoice values/amounts will be retained for referral, for example, signed Bill of Quantities or costing schedules related to the works.
- e. Invoices will be certified for payment by the appropriate budget manager in terms of the SoFD. The certified invoice will be uploaded to Integra. Audit trails evidencing certification of invoice, for example, e-mail trails confirming completion of works and instructing goods receipt, will be retained in the Service by the budget manager.
- f. Evidence will be provided to confirm that the credit note relating to invoice number 220949 dated 17 October 2018 was processed, as applicable. This is being investigated by Re Management.

**Target date: 16 September 2019 – IMPLEMENTED**

#### **2. Initiation of Special Projects**

- a. LBB and Capita will agree written protocols which clarify and explain the Special Project Approval Procedure for Highways. – **IMPLEMENTED.**
- b. The Highways SPIR template will be updated to show the requirements of the Special Project Approval Procedure for Highways and ensure that full officer names and dates of approval are included within the documentation. Additionally, roles and responsibilities of team when approving the document will be defined. - **IMPLEMENTED.**
- c. LBB and Re will agree thresholds at which Highways work will not commence until the Special Project has been formally approved by the Council. – **IMPLEMENTED.**

The Council will update the log currently held by the Commercial team to ensure it includes a breakdown of payments made against each Highways SPIR. **IN PROGRESS (we considered that substantial progress had been made).**

**Target date: 16 September 2019 – IN PROGRESS. We considered that actions (a), (b) and (c) are implemented and substantial progress has been made against action (d). Revised deadline of 31 December 2019.**

We will follow-up again at the end of Q3 to confirm implementation

### **3. Quality of SPIRs documents**

- a. Management will clearly define the responsibility for ensuring that Highways SPIR documents are of high quality, are accurate contain all information required and do not contain references to other SPIRS which are not required – **IMPLEMENTED.**
- b. Highways SPIRs will contain a breakdown of how fees are calculated and whether they are fixed price or to be charged via 'Time and Materials', for example, a breakdown of estimated hours against each level of resource and the associated DRS rate where this is appropriate - **IMPLEMENTED.**
- c. Management will review any payments made against HW051 (relating to works approved at Local Area Committees in October, November and December 2017) and take appropriate action should payments have been made above agreed at the Area Committees (£64,850) – **IN PROGRESS (we considered substantial progress has been made).**

**Target date: 16 September 2019 – IN PROGRESS. We considered that actions (a) and (b) are implemented and substantial progress has been made against action (c) Revised deadline of 31 October 2019.**

We will follow-up again at the end of Q3 to confirm implementation.

#### **4. Timesheet Data**

- a. The Council will review its arrangements to ensure that Highways SPIRs represent best value for money, for example that there is a clear link between the evidence that will be required to support payments and the evidence to be submitted before payments are released. For example, a clear resource plan within the SPIR document. – **IMPLEMENTED.**
- b. The Council will work with Re to agree the format of timesheet reporting which will allow the Council to review timesheet data. The Council will engage with Re to understand the steps in place to drive completeness and accuracy in time recording, for example, by agreeing a Data Quality Method Statement which will be signed off by Re when they submit timesheets to the Council to support payments and ensures that the Strategic Lead Commissioner can review the timesheets. – **SUPERSEDED.**
- c. The Council will review the actions within the PWC advisory review of Highways projects - Invoicing and contract management arrangements which was completed in 2016 and ensure that the actions are implemented or are no longer relevant. - **IMPLEMENTED**

**Target date: 16 September 2019 – IMPLEMENTED.**

#### **5. SPIR Invoice Approvals**

- a. Management will clearly define the process for approving invoices including documenting the responsible officers for ensuring that Re Invoice 2s are approved for payment and the minimum documentation which will be on file to support the payments. - **IMPLEMENTED**
- b. Work will not be goods receipted by LBB Finance before the necessary authorisation is on file as per action (a), Management will clearly define the responsible officers for ensuring that Re Invoice 2s are approved for payment and the minimum documentation which will be on file to support the payments– **IN PROGRESS (we considered substantial progress has been made)**

**Target date: 16 September 2019 – IN PROGRESS.** We considered that action (a) is implemented and substantial progress has been made against action (b). Revised deadline of 31 December 2019.

We will follow-up again at the end of Q3 to confirm implementation.

**6. Implementation of Recommendations**

The follow-up of the implementation of actions resulting from our Highways Managed Budgets review in March 2016 and Highways Programme audit in March 2017.

**Target date: 16 September 2019 – IMPLEMENTED**

## 2.2 Accounts Payable – Limited Assurance

September 2019

### Number of findings by risk rating

<b>Critical</b>	<b>0</b>
<b>High</b>	<b>2</b>
<b>Medium</b>	<b>4</b>
<b>Low</b>	<b>1</b>
<b>Advisory</b>	<b>0</b>

The Council’s Accounts Payable function is run by the Customer Support Group (CSG), a Capita function based in Chichester on behalf of the Council. This review identified the key controls over payments made by the Council (outside of the Treasury team) and tested the operation of processes to give assurance on the effectiveness of those controls.

In December 2017, it came to light that potentially fraudulent transactions of ca. £2m had been made against the Council. An investigation was opened by the Council’s Corporate Anti-Fraud Team (CAFT) and it was found that the transactions related to Compulsory Purchase Orders (CPOs). As a result of the alleged fraud the Chief Financial Officer (CFO) commissioned Grant Thornton (GT) UK LLP to undertake a review of the governance and financial control environment surrounding regeneration projects. In total, 32 recommendations were raised to enhance the financial control environment at the Council. As part of this audit we sought to verify that actions related to Accounts Payable from the Grant Thornton ‘Review of the Financial Management Relating to CPO Fraud’ have been completed and associated processes are now being complied with.

The review also incorporated the outcome of the separate ‘Payments Data Analytics and Matching Exercises’ completed in February 2019. This

included an assessment of whether any further fraudulent payments had been made – to date no further fraudulent payments were found.

Finally, we also followed up audit actions from previous audits in this area.

Due to the far-reaching nature of this review, incorporating the response to the GT action plan, the fieldwork has been undertaken over an extended period from September 2018 to July 2019.

### **1. Grant Thornton review – outstanding actions, GT15 and GT16, relevant to AP**

#### **GT15**

**GT Recommendation:** We recommend that the BACS process be reviewed for the adequacy of controls over new suppliers where there is no purchase order (such as E-form payments).

#### **Implemented**

For GT15, segregation of duties is now embedded in non-PO payments as follows:

- API E-Form payments authorised by budget manager and independent payment checks (AP) for non-PO (purchase order) OTV (One Time Vendor) and non-PO, non-OTV payments;
- supplier creation / supplier change requests (Service), related independent checks (AP) and related creation/change (CST, IT Integra Support Team) in Integra;
- the separate authorisation of non-API non-PO payments; and
- the provision of adequate supporting documentation for all non-PO payments.

Non-PO API payments are now governed by fit for purpose documented procedures which have been implemented. An API Exemption list has also been completed defining the types of payment and documentation that are exempt from the standard PO route.

#### **GT 16**

**GT Recommendation:** The Masterfile supporting the BACS payment process does not automatically identify and flag payments made to different suppliers/recipients that had the same bank account number.

#### **Implemented**

For GT16, the New Supplier and Supplier Amendment Process which has been implemented will:

- mitigate the risk of fraudulent changes to bank details in the manner perpetrated in the recent fraud; and

- mitigate the risk of the creation of fraudulent suppliers with the same bank account.

The creation of new suppliers and changes to vendor bank details are now done by E-Form, the process is segregated and is subject to independent checks by AP prior to update in the system by ICT.

## **2. Accounts Payable audit**

This audit has identified 2 high, 4 medium and 1 low risk rated finding relating to the control design and operating effectiveness of the controls in place over Accounts Payable as follows:

- **Authorisation of Purchase Orders (POs) (High)**: We found that there was no reporting and review process for dual authorisation of purchase orders above £1m as required by the “Dual Authorisation for Payments over £1million Process Note V1.0”. For 2/15 purchase orders tested, the related dual authorisation of the purchase orders above £1m was not attached in Integra as required. **(Actions agreed with LBB Finance and CSG Accounts Payable)**.
- **Manual upload process (High)**: Payments, recently to the value of £101m annually, are made through Integra using a manual upload process defined in a process document “Manual Upload BACS Payments Process V1.0”. The related process document is not clear as to the type of payments which may be made through the manual upload process and the schedule of manual payment authorisers, referred to in the document, was out of date as it referred to officers who had left the Council/Capita. **(Actions agreed with LBB Finance and CSG Accounts Payable)**.
- **Duplicate payments (Medium)**: Arrangements to identify potential duplicate payments (non-PO and PO) using software, AP Forensics, searching by payment parameters such as value and payee name were in progress, however had not been implemented despite discussions being ongoing since 2018. There was evidence of an existing process being possible identifying duplicate payments, however this had only been run once pending implementation of the new software. **(Actions agreed with LBB Finance)**.
- **Missing supplier invoice (Medium)**: In 1/10 (10%) instances of our testing of standard PO payments, the invoice was not attached in Integra when the audit test was done. The invoice was subsequently found to be attached in Integra however only on 26 June 2019, a significant period after it was cleared 5/12/2018 for payment in Integra. We would have expected AP to reject a payment without a supporting invoice. **(Actions agreed with CSG Accounts Payable)**.
- **AP training and development (Medium)**: CSG Management indicated that a programme of training and development existed for the CSG AP team. The programme involved AP officers completing a training needs assessment in which they recorded their understanding of various related procedure documents. Gaps noted in what they recorded, as compared to the content and purpose of the document, informed their training. We do not have an issue on the design of the process. However, evidence of its operation had been requested by Internal Audit but had not been provided for our review. We can therefore not provide assurance over the effective operation of the control. **(Actions agreed with CSG Accounts Payable)**.
- **AP documented procedures (Medium)**: We reviewed 14 Intranet procedures relevant to AP processing, findings as follows:
  - 10/14 documents were out of date and had not been reviewed or updated in more than two years.

- 4/14 documents had been updated in the course of 2018, but contained information which was out of date around the escalation route for AP Other issues and the current supplier request process.

Other key documents such as the “New Supplier and Supplier Amendment Process V1.0 (16/8/2018)” Appendix 4: “Budget Managers and Superiors” was out of date, for example, it included officers who had left the Council. **(Actions agreed with LBB Finance).**

**Actions were agreed with LBB Finance and CSG Accounts Payable as appropriate, with due dates of 31<sup>st</sup> October 2019. A further verbal update will be given to the Audit Committee by officers from the Council and CSG.**

### **3. Follow-up of previous Audit Actions**

We followed up three recommendations made in the Accounts Payable 2017-18 audit. All actions were considered implemented/completed by 31 March 2019.

### **4. ‘Payments Data Analytics and Matching Exercises’ (PDAME) reported in February 2019**

At Audit Committee 22 November 2018 Members raised a query after the GT report was presented about the possibility of other fraudulent payments in Integra i.e. the possibility of similar financial failings occurring in other Services across the council. This prompted internal audit to undertake a data analytics and matching exercise for the LBB Payments Account which involved the identification of matches, for example payments to one vendor but to different bank accounts (such as in the recent fraud), which could relate to potentially fraudulent transactions in a financial environment where controls were weak. Where matches warranted further investigation in terms of being potentially fraudulent or where they highlighted poor data quality for vendor master data, they were referred to CAFT and AP for further review.

The PDAME identified 11 datasets. Work has been completed with no issues on 5/11 datasets, with work ongoing and approaching completion on 6/11 datasets.

The data matches identified seven bank accounts that had received fraudulent payments; these were already known to CAFT as part of an ongoing fraud investigation. No further transactions reviewed to date have been found to be fraudulent.

The Data Analytics review also raised a number of Observations to be considered. It has been agreed that the AP Finance Business Partner will review the observations as a basis for implementing changes in Integra, in current or future versions/updates based on a risk/cost/benefit analysis.

## 2.3 St Michaels Catholic Grammar – Limited Assurance

July 2019

### Number of findings by risk rating

Critical	0
High	1
Medium	6
Low	3
Advisory	0

### Background

St Michael's Catholic Grammar School is a Voluntary Aided school with 709 pupils on role aged between 11 and 18 years of age. The School budgeted expenditure for 2019/20 is £4,460,352 with employee costs of £3,598,221 (81% of budgeted expenditure).

The School was assessed as 'Outstanding' by OFSTED in March 2008.

A review of the seven recommendations reported in the previous audit report dated May 2015 found that four recommendations had been partially repeated (Governance, Financial Planning, Voluntary funds, Assets).

### Summary of Findings

The audit identified 1 high risk, 6 medium risk and 3 low risk findings.

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

- Banking– The catering assistants were given sole responsibility for banking cash received from staff and pupils for school meals. (High rated);

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

- Governance– The financial procedures document has not been updated since March 2015. All finance roles have changed since that date. Two credit cards are in use in school. No credit card policy was available to confirm what paperwork should be available to support use of the school credit card. The financial procedures should include purchasing procedures for catering supplies, and agreed procedures for checking and banking catering receipts. Lettings procedures should be documented and roles and responsibilities for payments through the School Journeys account. The Notice of Authorised Signatories was last updated in March 2015. There was no up to date document available at the audit to confirm authorised signatories in school. (Medium rated);
- Financial Planning– The school has a licensed deficit of £500,000. The school must continue to supply all information required to the School Finance Manager at the London Borough of Barnet to support repayment of this sum. (Medium rated);
- Purchasing– The school should approve a credit card policy. Procedures when using the school credit card should be reviewed, documented and agreed by Governors to ensure a complete audit trail, separation of duties and proof of receipt of goods. Purchases made by the Headteacher using the school credit card should be authorised by the Chair of Governors. Procedures for controlling supplies purchased

- for use in the school canteen should be agreed and documented. (Medium rated);
- Payroll–Due to changes in staff, the school could not provide evidence that monthly checks were made on payroll reports prior to September 2018. Monthly monitoring of payroll against budget should be completed and reviewed. (Medium rated);
  - Voluntary funds– The school has three voluntary funds. Due to changes in staff, monthly countersigned bank reconciliations could not be found for each account for the twelve months ended March 2019. The school could not provide evidence that audited accounts had been presented to Governors for the year ended March 2018. Terms of reference have not been agreed for these funds. (Medium rated);
  - Assets–The IT listed on the inventory did not contain sufficient information to comply with the Financial Guide for schools. The inventory had not been reconciled to records held in school prior to September 2018. 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 finding) and by the end of the Autumn 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.**

### 3.0 Progress against plan

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

\* During Q2 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
<b>Quarter 2</b>								
Complete	Highways Programme	No	6	-	6	-	-	-
Complete	Banking & Payment Arrangements – Accounts Payable*	Limited	7	-	2	4	1	-
Complete	St. Michael's Catholic Grammar School	Limited	10	-	1	6	3	-
Complete	Brent Cross Cricklewood – Regeneration - Financial Controls	Reasonable	5	-	-	3	2	-
Complete	St Theresa's Catholic Primary School	Reasonable	6	-	-	4	2	-
Complete	Underhill School	Reasonable	4	-	-	3	1	-
Complete	Private Treaty Agreements (PTAs) Follow-Up	Partially Implemented	-	-	-	-	-	-
Complete	Martin School	Substantial	3	-	-	1	2	-

Complete	Passenger Transport Service (PTS) Health & Safety	Substantial	1	-	-	1	-	-
Complete	Sunnyfields School	Substantial	0	-	-	-	-	-
Complete	Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance)	Claim Verified						
Complete	Local Bus Subsidy Grant	Claim Verified						
Complete	Strategic School Improvement Fund Grant (ADDED TO PLAN)	Claim Verified						
Draft Report	Public Health - compliance with grant conditions	TBC						
Draft Report	Domestic Violence	TBC						
Draft Report	Mosaic – Application Review	TBC						
Fieldwork	Banking & Payment Arrangements - Cash & Bank*	TBC						
Fieldwork	Manorside School	TBC						
Fieldwork	Pavilion PRU	TBC						
Fieldwork	Capital Budget Monitoring*	TBC						
Fieldwork	MTFS Assurance Process	TBC						
Fieldwork	Pension administration follow-up	TBC						
Fieldwork	Adults restructure - Strategic risk around Safeguarding	TBC						
Planning	Family Services Financial Management	TBC						

Planning	Data Management Procedures (Cyber)	TBC							
Planning	Brookhill Nursery	TBC							
Planning	The Annunciation Infant school	TBC							
Planning	Revenue Budget Setting and Monitoring	TBC							
Planning	Accounts Receivable	TBC							
Planning	Treasury Management	TBC							
Planning	Parking PCNs	TBC							
Planning	Better Care Fund	TBC							
Planning	Cambridge Education Assurance Mapping	TBC							
Planning	HR Processes (post insourcing)	TBC							
Planning	General Ledger	TBC							
Not Started	Procurement - compliance with Contract Procedure Rules (CPRs)	TBC							
Not Started	Land Charges – Data Quality	TBC							
Deferred	Geographic Information Services (GIS) Advisory review Deferred due to auditor secondment to Elections team and potential crossover with Land Charges audit	TBC							
Deferred	Theme Committee Priorities – Benefits Management Deferred to Q3 as new arrangements went live in	TBC							

	Q1							
Cancelled	<p>Refuse Collection</p> <p>Added to 2019/20 Plan at May 2019 Audit Committee. Subsequently cancelled as finance undertook a review and comparison of the actual costs of the waste and recycling and street cleansing services for the period 2016/17 to 2019/20 (the 'Waste &amp; Recycling and Street Cleansing analysis') which provided appropriate assurance. Also due to urgent relocation of depot taking priority for the service. To be revisited as part of 2020/21 planning cycle.</p>							

Stage	Name of review	Report classification	Total findings	Ratings				
				Critical	High	Medium	Low	Advisory

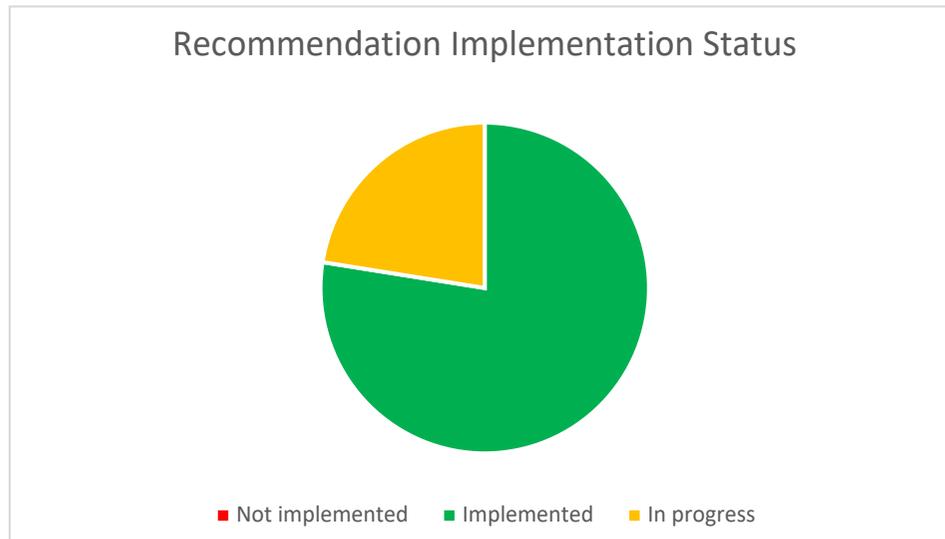
Quarter 1								
Complete	Pension Fund Finance and Investment	Limited	4	-	2	1	1	-
Complete	Menorah Foundation School	Limited	10	-	2	5	3	-
Complete	Hasmoneon Primary School	Limited	8	-	1	5	2	-
Complete	Disabled Facilities Grant	Reasonable	6	-	-	5	1	-
Complete	Re Operational Review follow-up*	Partially 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	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	-	-



## 4.0 Follow Up

### 4.1 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.



### 4.2 Outstanding actions

5.2.1 During this period we followed up 9 high priority actions due by 30<sup>th</sup> September 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*
<b>Strategic Director: Director of Finance</b>					
<b>1. Pension Fund Finance and Investment</b>  <b>July 2019</b>	<b>Admission agreements, bonds and cessation agreements</b>  a) We will promptly complete admission agreements, cessation agreements and renewals of admission bonds for all employers identified in the report to the Pension Fund Committee on 30 May 2019 to minimise risk to the Fund.	<b>In Progress</b>  Reasonable progress has been made since the audit.  Reporting to the Local Pension Board confirms some progress has been made on this but not in full.	Head of Treasury	<b>Target date:</b> 30 September 2019  <b>Revised target date:</b> 30 November 2019	1
<b>Strategic Director: Deputy Chief Executive</b>					
<b>2. Equalities data - quality and analysis</b>  <b>November 2018</b>	<b>Data quality and analysis – staff performance reviews</b>  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.	<b>In Progress</b>  As per our Q1, 2019/20 report, substantial progress has been made since the audit with the outstanding item being a method statement detailing the analysis which would be undertaken and presented to the Council Management Team.  <b>Further action for full implementation:</b>  Detail to be provided on how the	Strategic HR Lead, LBB	<b>Target date:</b> 28 February 2019 i.e. in advance of the 2018/19 performance reviews  <b>Revised deadline:</b> 30 April 2019  <b>2<sup>nd</sup> Revised</b>	3

		analysis will be undertaken.		<b>deadline:</b> 31 August 2019  <b>3<sup>rd</sup> Revised deadline:</b> 30 November 2019	
<b>3. Equalities data - quality and analysis</b>  <b>November 2018</b>	<b>Data quality and analysis – mandatory gender pay gap reporting</b>  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.	<b>In Progress</b>  Reasonable progress has now been made since the audit as the underlying data was provided to LBB HR by CSG Belfast on 27 <sup>th</sup> September.  This will now enable LBB HR to complete the analysis as per that performed in 2018/19 using GapSquare software and the relevant checklists. This will allow LBB HR to identify whether the data held on public record will need to be updated in line with the revised calculation.  A verbal update on further progress will be given to the Audit Committee.  <b>Further action for full implementation:</b> As per the original action  LBB HR will then seek to amend the data on the public record to reflect the correct median gender pay gap as part of the 2019 reporting cycle.	Strategic HR Lead, LBB	<b>Target date:</b> 31 March 2019  <b>Revised target date:</b> 15 June 2019  <b>2<sup>nd</sup> Revised target date:</b> 30 September 2019  <b>3<sup>rd</sup> Revised deadline:</b> 30 November 2019	3

<p><b>4. Integra Access and Program Change Management (“APCM”)</b></p> <p><b>December 2018</b></p>	<p><b>Logical access controls – joiners, movers and leavers</b></p> <p>The overall joiners and leavers process will be reviewed, to ensure that all necessary actions are taken upon the joining, moving or leaving the service of employees or contractors. This will be aligned with the different departments prior to roll out.</p>	<p><b>In progress</b></p> <p>Limited progress has been made since the audit.</p> <p>The Starters, Leavers and Movers (SLaM) process is underway as part of HR Transformation. However, progress to date has been constrained by a lack of resources, especially within the HR team itself.</p> <p>The Council’s deployment of Office365 provides an opportunity to use well-proven workflow and collaboration tools to create an efficient and effective SLaM process. The deployment of these tools is already scheduled as part of the IT capital programme. Therefore, at present, subject to further investigation by the Assistant Director of HR, this solution is being worked towards with an intended completion date of June 2020.</p> <p>In the meantime, compensating controls are in place whereby HR provide finance with regular list of starters, movers and leavers to enable a manual check of Integra.</p>	<p>Assistant Director of HR and OD, LBB</p>	<p>Target date: 31 January 2019</p> <p><b>Revised target date:</b> 31 August 2019</p> <p><b>2<sup>nd</sup> Revised target date:</b> 30 June 2020</p>	<p>2</p>
<p><b>5. Investing in IT Lessons Learned (Portfolio and Project Management)</b></p> <p><b>May 2019</b></p>	<p><b>Council oversight / assurance of 2019 department-led projects</b></p> <p>Consider the potential options in relation to corporate oversight and assurance over department-led projects. In particular, to ensure that appropriate checks and</p>	<p><b>In Progress</b></p> <p>Reasonable progress has been made since the audit.</p> <p>The corporate programmes framework is being adapted in line with the newly devolved model and how this should be working in practice. This will ensure the Council management team maintain oversight of key projects and programmes</p>	<p>Interim Director Commercial and Director of Finance</p>	<p><b>Target date:</b> 30th September 2019</p> <p><b>Revised target date:</b> 31 January</p>	<p>1</p>

	<p>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.</p> <p><u>Action</u></p> <p><b>Non-IT Projects</b></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>	<p>across the council and receive assurance that these are being managed effectively and in accordance with the project management toolkit.</p> <p>As part of this a new project report is being designed for the Council Management Team regarding key internal priorities.</p>		2020	
<p><b>6. Re 2018/19 Follow up of 2016/17 Operational Review</b></p> <p><b>May 2019</b></p>	<p><b>Policies &amp; Procedures</b></p> <p>b) Re will then ensure that appropriate procedure documents, with appropriate version control, are generated for these activities and retained within the BMS database.</p>	<p><b>In Progress</b></p> <p>Reasonable progress has been made since the audit.</p> <p>We found sufficient evidence that appropriate procedure documents for key activities contain appropriate version control and are retained within the BMS database.</p> <p>As a result of the Gap Analysis Undertaken the following key activities were not found on BMS:</p>	<p>Operations Director, Re</p>	<p><b>Target date:</b> 31 July 2019</p> <p><b>Revised target date:</b> 31 December 2019</p>	1

		<ul style="list-style-type: none"> <li>- Traffic Management Orders</li> <li>- Weights and Measures</li> <li>- Flooding</li> <li>- Bridge Maintenance</li> <li>- Sewer Maps</li> </ul> <p><b>Further action required for full implementation:</b></p> <p>As a result of this analysis, further work will be undertaken to confirm whether separate procedure documents are required for these key activities and if so these will be created and uploaded to BMS.</p>			
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**Strategic Director: Executive Director, Environment**

<p><b>7. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Initiation of Highways Special Projects</b></p> <p>d) The Council will update the log currently held by the Commercial team to ensure it includes a breakdown of payments made against each Highways SPIR. This will provide a clear log which details:</p> <ul style="list-style-type: none"> <li>- Highways SPIRs in the process of being written;</li> <li>- Highways SPIRs which have been approved; and</li> <li>- A breakdown of payments made against each Highways SPIR.</li> </ul> <p>and will be included within the papers presented to the Contract Management Meeting as a standing agenda item so that SPIR</p>	<p><b>In progress</b></p> <p>We considered that substantial progress had been made against this action.</p> <p>The Governance section of the 'Highways Special Projects (SPIRS) Protocol' states that all SPIRS will be entered onto a SPIR log which shall be reviewed for progress and payments through Contract Monitoring Meetings between LBB and Re.</p> <p>We inspected the SPIR tracker held by the commercial team and confirmed it listed:</p> <ul style="list-style-type: none"> <li>- Highways SPIRS and whether they were considered draft, were with the service provider for approval, had been approved or were now closed;</li> <li>- cells to record payments made against each SPIR per month; and</li> </ul>	<p>Commercial Advisor, LBB</p> <p>Strategic Lead Commissioner – Transport and Highways, LBB</p> <p>Finance Manager, LBB</p>	<p><b>Target date:</b> 16 September 2019</p> <p><b>Revised target date:</b> 31 December 2019</p>	<p>1</p>
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	<p>progress can be tracked and monitored.</p>	<p>- cells to record total approved value, total amounts paid to date against the SPIR and total payments still to be billed by Re. However, we did note that some of the billed payments had not been input into the document.</p> <p>Management confirmed that because of the audit they are currently undertaking a reconciliation of Highways SPIRs: ensuring they have a correct portfolio of SPIRs signed off, their value and the spends charged to date.</p> <p>We asked management to confirm that the tracker has been presented to the most recent Contract Monitoring Meeting. We noted that the meeting in October did discuss SPIRs (in particular Area Committee SPIRs and S106 at risk monies) but we could not see evidence that members had been sent a copy of the log in line with this recommendation.</p> <p><b>Further action for full implementation:</b></p> <ul style="list-style-type: none"> <li>- The reconciliation currently underway will be completed and the log updated with payments made against each Highways SPIR which is considered 'open'; and</li> <li>- The SPIRs log will be included within the papers presented to the Contract Management Meeting as a standing agenda item so that SPIR progress can be tracked and monitored.</li> </ul>			
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<p><b>8. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Quality of SPIRs documents</b></p> <p>c) Management will review any payments made against HW051 (relating to works approved at Local Area Committees in October, November and December 2017) and take appropriate action should payments have been made above agreed at the Area Committees (£64,850)</p>	<p><b>In progress</b></p> <p>We considered that substantial progress had been made against this action.</p> <p>Management confirmed that they have investigated the issue and concluded that there was an administrative error when originally compiling the SPIR and incorrect values had been included within the document. We noted that a SPIR variation had been drafted to rectify the error which referenced the original decision in 2017.</p> <p><b>Further action for full implementation:</b></p> <ul style="list-style-type: none"> <li>- A SPIR variation relating to HW051 will be formally issued.</li> </ul>	<p>Strategic Lead Commissioner – Transport and Highways, LBB</p>	<p><b>Target date:</b> 16 September 2019.</p> <p><b>Revised target date:</b> 31 October 2019</p>	<p>1</p>
<p><b>9. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>SPIR Invoice Approvals</b></p> <p>b) Work will not be goods receipted by LBB Finance before the necessary authorisation is on file as per action (a), Management will clearly define the responsible officers for ensuring that Re Invoice 2s are approved for payment and the minimum documentation which will be on file to support the payments</p>	<p><b>In progress</b></p> <p>We considered that substantial progress has been made against this action.</p> <p>Whilst we considered that actions had been taken to clearly define responsibilities (see above), we noted that payments had not yet happened against SPIRs generated in line with the revised approach. We therefore could not test against this action to confirm that documentation is being held on file to support payments but will return to the service to confirm implementation status in Q3, 2019/20.</p> <p><b>Further action for full</b></p>	<p>Finance Manager, LBB</p> <p>Commercial Advisor, LBB</p> <p>Strategic Lead Commissioner – Transport and Highways, LBB</p>	<p><b>Target date:</b> 16 September 2019</p> <p><b>Revised target date:</b> 31 December 2019</p>	<p>1</p>

**implementation:**

- Work will not be good receipted until the necessary authorisation and back up documentation is on file.

### 4.3 Completed actions

4.3.1 During this period we followed up 31 high priority actions which are deemed to have been implemented, superseded or closed. These are listed below:

Name of report	Agreed Action and Due Date
<p><b>1. Pensions Admin</b></p> <p><b>January 2018</b></p>	<p><b>Analytical review of contributions</b></p> <p>We will ensure analytical reviews are undertaken over contributions received and reported to ensure movements reported are reasonable and reconciliations will be performed between amounts reported and the general ledger. We will consider if any further assurance is required over the accuracy of contributions received, considering whether sufficient assurance is provided by reviews undertaken by internal audit and external audit both at the Council and employers.</p> <p><b>Target date:</b> 30th June 2018</p> <p><b>Revised target date:</b> 31 January 2019</p> <p><b>2<sup>nd</sup> revised target date:</b> 31 May 2019</p> <p><b>3<sup>rd</sup> revised target date:</b> 31 July 2019</p> <p>This action has been superseded. The analytical reviews are still in progress and will need to become embedded into practice. However, resources within the pensions team have been focussed on responding to the Pension Regulator's improvement notice. TPR received copies of all previous internal audit reports and these informed TPR's view. Substantial progress has been made in meeting the requirements of TPR as evidenced in the formal response submitted to TPR on 29th August and more recent confirmation from the regulator where he accepts that the majority of the requirements of the improvement notice have been met.</p>
<p><b>2. Onboarding</b></p>	<p><b>New Starter Induction</b></p>

<p><b>June 2018</b></p>	<p><b><u>Welcome Site Pack:</u></b></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 commencing their employment with the Council</p> <p><b>Target Date:</b> 31/07/2018</p> <p><b>Revised date:</b> 30 November 2018</p> <p><b>2<sup>nd</sup> Revised date:</b> 31 May 2019</p> <p><b>3<sup>rd</sup> Revised date:</b> 31 July 2019</p>
<p><b>3. Banking &amp; Payment Arrangements – Treasury Management</b></p> <p><b>November 2018</b></p>	<p><b>Bankline – access and authorisation</b></p> <p>Management will review the customer user profiles to identify whether permissions across LB Barnet accounts can be simplified to ensure that segregation of duties is as clear as possible.</p> <p><b>Target date:</b> 31 March 2019</p> <p><b>Revised target date:</b> 31 May 2019</p> <p><b>2<sup>nd</sup> Revised target date:</b> 30 September 2019</p> <p>The outstanding element of this action related to schools using Bankline. Treasury have requested all schools who bank with the Council's banker RBS to confirm their Bankline access and to notify the Treasury of any changes. Where responses have been received changes have been processed in Bankline. 76% of schools have responded and the Director of Finance is overseeing to ensure 100% of schools respond and the appropriate action is taken in response. Therefore, this is considered implemented.</p>
<p><b>4. Schools Payroll</b></p> <p><b>February 2019</b></p>	<p><b>I-Trent Access and permissions</b></p> <p>a. Access should be removed to ensure that employees only have the specific access directly relevant to their role for Barnet processing.</p> <p>b. Periodic exception reporting should be undertaken to identify, for investigation, processing 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><b>Target date: 15 March 2019</b></p> <p><b>Revised date:</b> June 2019</p> <p><b>2<sup>nd</sup> Revised date:</b> 31 July 2019</p>
<p><b>5. Investing in IT Lessons Learned (Portfolio and Project Management)</b></p> <p><b>May 2019</b></p>	<p><b><u>Project Methodologies and Council Project Management Toolkit Application</u></b></p> <p><u>Recommendation:</u> 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> <p><u>Action</u> To be picked up as part of the governance review for action 2</p> <p><b>Target Date:</b> 30 September 2019</p>
<p><b>6. Investing in IT Lessons Learned (Portfolio and Project Management)</b></p> <p><b>May 2019</b></p>	<p><b>Council oversight / assurance of 2019 department-led projects</b></p> <p><u>Recommendation:</u> Consider the potential options in relation to corporate oversight and assurance over 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.</p> <p><u>Action</u></p> <p><b>IT Projects</b></p> <p>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.</p>

	<b>Target Date:</b> 30 June 2019
<b>7. Investing in IT Lessons Learned (Portfolio and Project Management)</b>  <b>May 2019</b>	<p><b>Investing in IT project benefits Realisation</b></p> <p><u>Recommendation:</u> 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.</p> <p><u>Action</u></p> <p>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.</p> <p><b>Target Date:</b> 30 September 2019</p>
<b>8. Re 2018/19 Follow up of 2016/17 Operational Review</b>  <b>May 2019</b>	<p><b>Policies &amp; Procedures</b></p> <p>a) Re will map the key activities undertaken by the Joint Venture and undertake a gap analysis to identify where procedure documents are currently not in place to identify any gaps and omissions. This mapping exercise will be aligned to the Council's Schemes of Delegation for the Deputy Chief Executive and the Director for Environment (see list of key activities in Appendix 1).</p> <p><b>Target Date:</b> 31 July 2019</p>
<b>9. Re 2018/19 Follow up of 2016/17 Operational Review</b>  <b>May 2019</b>	<p><b>Policies &amp; Procedures</b></p> <p>c) Re will ensure that procedures are properly communicated and that staff receive any required training on the procedures.</p> <p><b>Target Date:</b> 31 July 2019</p>
<b>10. Re 2018/19 Follow up of 2016/17 Operational Review</b>  <b>May 2019</b>	<p><b>Policies &amp; Procedures</b></p> <p>d) Re will implement a systematic approach to identifying procedures that are approaching their review date and ensuring that responsible officers undertake a review in line with requirements.</p> <p><b>Target Date:</b> 31 July 2019</p>
<b>11. Hasmoneon Primary</b>	<b>Banking and Petty Cash</b>

<p><b>School</b></p> <p><b>May 2019</b></p>	<p>The school will immediately complete a reconciliation of amounts paid through the Local Authority Central Banking facility to records recorded on the school accounts. Any differences will be immediately investigated. This reconciliation will be performed monthly thereafter, signed by the person completing the reconciliation and countersigned by the Headteacher.</p> <p><b>Target Date:</b> Immediately</p>
<p><b>12. Pension Fund Finance and Investment</b></p> <p><b>July 2019</b></p>	<p><b>Monitoring receipt of contributions</b></p> <p>a) CSG Pensions Finance will implement the new process for collecting data from employers on the amounts paid over to the Fund to enable them to check if contributions are deducted at the correct rate and all contributions due under the Rates and Adjustments Certificate, including additional lump sum contributions, are collected.</p> <p><b>Target date:</b> 31 July 2019</p> <p>This action has been superseded. Resources within the pensions team have been focussed on responding to the Pension Regulator's improvement notice. TPR received copies of all previous internal audit reports and these informed TPR's view. Substantial progress has been made in meeting the requirements of TPR as evidenced in the formal response submitted to TPR on 29th August and more recent confirmation from the regulator where he accepts that the majority of the requirements of the improvement notice have been met.</p>
<p><b>13. Pension Fund Finance and Investment</b></p> <p><b>July 2019</b></p>	<p><b>Monitoring receipt of contributions</b></p> <p>b) CSG will provide monthly reports to the Council on the collection of contributions which will include reporting on whether contributions were received on time, at the correct rate and details of any significant issues noted when reviewing contributions received, such as failure to provide starter and leavers forms for member changes or unexplained movement in contributions received.</p> <p><b>Target date:</b> 31 July 2019</p> <p>This action has been superseded (see action 12 above).</p>
<p><b>14. Pension Fund Finance and Investment</b></p> <p><b>July 2019</b></p>	<p><b>Monitoring receipt of contributions</b></p> <p>c) Late or underpayment of contributions will be reported to each meeting of the Pension Fund Committee and Local Pension Board</p> <p><b>Target date:</b> 30 September 2019</p> <p>This has been reported to Local Pension Board and it has been agreed they will escalate as required to the Pension Fund Committee.</p>
<p><b>15. Pension Fund Finance and Investment</b></p>	<p><b>Admission agreements, bonds and cessation agreements</b></p>

<p><b>July 2019</b></p>	<p>b) We will agree Service Level Agreements (SLAs) with CSG, our actuary and legal team to establish potential timelines for future admission agreements, cessation agreements and the renewal of admission bonds.</p> <p><b>Target Date:</b> 30 September 2019</p>
<p><b>16. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Payment Process</b></p> <p>a. Purchase orders for all Highways works will be approved by the appropriate budget manager in line with the prevailing Financial Scheme of Delegation (SoFD). Evidence linking invoices to works approved by Members or related variations will be retained for inspection.</p> <p>Note: The SoFD for Re is available for referral on the Council's Intranet</p> <p><b>Target Date:</b> 16 September 2019</p>
<p><b>17. Highways Programme</b></p> <p><b>August 2019</b></p>	<p>b. Works, including variations to works, will be appropriately approved before their commencement in line with available budget.</p> <p>Note: The Council's Financial Regulations state:</p> <ul style="list-style-type: none"> <li>- "that only authorised officers are allowed to place purchase orders, and that purchase orders are only raised when there is sufficient budget available."</li> <li>- "Once the purchase has been agreed, a purchase order must be raised on the council's accounting system."</li> </ul> <p><b>Target Date:</b> 16 September 2019</p> <p>Considerable work has been undertaken by the service to improve their arrangements and we consider this action to now be substantively implemented. The service has agreed to implement the following supplementary actions immediately to enhance future performance:</p> <ol style="list-style-type: none"> <li>1. Site Inspection Sheets will be used for LIP schemes</li> <li>2. LIP scheme invoices will be certified by the budget manager</li> <li>3. New processes will record/capture the start date of the schemes</li> <li>4. The date stamping of before and after photographs of schemes will be introduced</li> </ol>
<p><b>18. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Payment Process</b></p> <p>c. Evidence will be retained to confirm that all works that have been invoiced by Conway Aecom have been completed to the appropriate standard. The type of evidence required to be retained will be documented and communicated to all teams across Re Highways service.</p> <p>Note: Our view is that evidence must include:</p>

	<ul style="list-style-type: none"> <li>- site inspection sheets showing regular site visit during the course of works,</li> <li>- complete task completion sheets and</li> <li>- before and after photographs which can be linked to the relevant works, for example, by street name.</li> </ul> <p><b>Target Date:</b> 16 September 2019</p>
<p><b>19. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Payment Process</b></p> <p>d. Documentation supporting invoice values/amounts will be retained for referral, for example, signed Bill of Quantities or costing schedules related to the works.</p> <p><b>Target Date:</b> 16 September 2019</p>
<p><b>20. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Payment Process</b></p> <p>e. Invoices will be certified for payment by the appropriate budget manager in terms of the SoFD. The certified invoice will be uploaded to Integra. Audit trails evidencing certification of invoice, for example, e-mail trails confirming completion of works and instructing goods receipt, will be retained in the Service by the budget manager.</p> <p><b>Target Date:</b> 16 September 2019</p>
<p><b>21. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Payment Process</b></p> <p>f. Evidence will be provided to confirm that the credit note relating to invoice number 220949 dated 17 October 2018 was processed, as applicable. This is being investigated by Re Management.</p> <p><b>Target Date:</b> 16 September 2019</p>
<p><b>22. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Initiation of Special Projects</b></p> <p>a. LBB and Capita will agree written protocols which clarify and explain the Special Project Approval Procedure for Highways.</p> <p><b>Target Date:</b> 16 September 2019</p>
<p><b>23. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Initiation of Special Projects</b></p> <p>b. The Highways SPIR template will be updated to show the requirements of the Special Project Approval Procedure for Highways and ensure that full officer names and dates of approval are included within the documentation. Additionally, roles and responsibilities of team when approving the document will be defined.</p> <p><b>Target Date:</b> 16 September 2019</p>

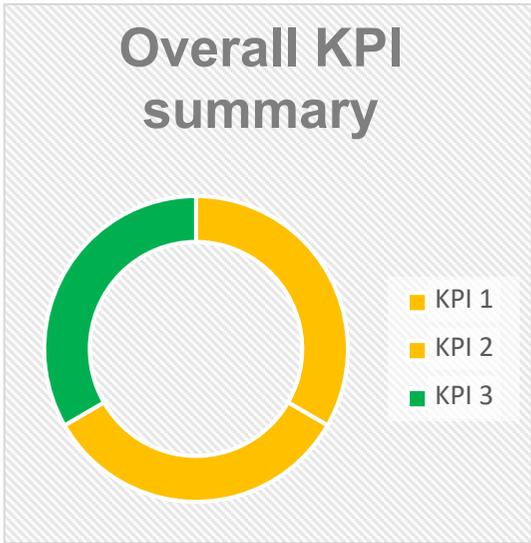
<p><b>24. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Initiation of Special Projects</b></p> <p>c. LBB and Re will agree thresholds at which Highways work will not commence until the Special Project has been formally approved by the Council.</p> <p><b>Target Date:</b> 16 September 2019</p>
<p><b>25. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Quality of SPIRS documents</b></p> <p>a. Management will clearly define the responsibility for ensuring that Highways SPIR documents are of high quality, are accurate contain all information required and do not contain references to other SPIRS which are not required.</p> <p><b>Target Date:</b> 16 September 2019</p>
<p><b>26. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Quality of SPIRS documents</b></p> <p>b. Highways SPIRs will contain a breakdown of how fees are calculated and whether they are fixed price or to be charged via 'Time and Materials', for example, a breakdown of estimated hours against each level of resource and the associated DRS rate where this is appropriate.</p> <p><b>Target Date:</b> 16 September 2019</p>
<p><b>27. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Timesheet data</b></p> <p>a. The Council will review its arrangements to ensure that Highways SPIRs represent best value for money, for example that there is a clear link between the evidence that will be required to support payments and the evidence to be submitted before payments are released. For example, a clear resource plan within the SPIR document</p> <p><b>Target Date:</b> 16 September 2019</p>
<p><b>28. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Timesheet data</b></p> <p>b. The Council will work with Re to agree the format of timesheet reporting which will allow the Council to review timesheet data. The Council will engage with Re to understand the steps in place to drive completeness and accuracy in time recording, for example, by agreeing a Data Quality Method Statement which will be signed off by Re when they submit timesheets to the Council to support payments and ensures that the Strategic Lead Commissioner can review the timesheets.</p> <p><b>Target Date:</b> 16 September 2019</p>
<p><b>29. Highways Programme</b></p>	<p><b>Timesheet data</b></p>

<p><b>August 2019</b></p>	<p>c. The Council will review the actions within the PWC advisory review of Highways projects - Invoicing and contract management arrangements which was completed in 2016 and ensure that the actions are implemented or are no longer relevant.</p> <p><b>Target Date:</b> 16 September 2019</p>
<p><b>30. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>SPIR Invoice Approvals</b></p> <p>a. Management will clearly define the process for approving invoices including documenting the responsible officers for ensuring that Re Invoice 2s are approved for payment and the minimum documentation which will be on file to support the payments.</p> <p><b>Target Date:</b> 16 September 2019</p>
<p><b>31. Highways Programme</b></p> <p><b>August 2019</b></p>	<p><b>Implementation of recommendations</b></p> <p>From 2019-20, processes will be implemented to address the further actions in Appendix 5</p> <p><b>Target Date:</b> 16 September 2019</p>

# Appendices



# Appendix A: Key performance indicators (KPIs)



**KEY:**

Fully Achieved

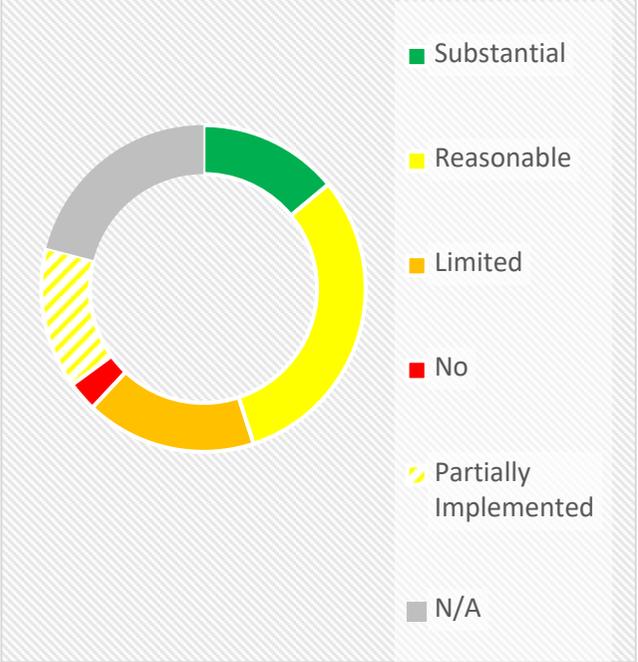
Partially Achieved

Not Achieved



KPI	Target	Results	Comment										
<p><b>1. % of Plan delivered</b></p> <p><b>Narrative:</b>                      Restructure – Embedding new staff and allowing for training and induction</p>	51%	42%	Work in progress is incorporated as follows: <table border="1"> <tr> <td>Not Started</td> <td>0%</td> </tr> <tr> <td>Planning</td> <td>20%</td> </tr> <tr> <td>Fieldwork</td> <td>50%</td> </tr> <tr> <td>Draft Report</td> <td>90%</td> </tr> <tr> <td>Complete</td> <td>100%</td> </tr> </table> Applying these %s to work in progress shows that we have delivered 42% of our plan.  Up to 27% = Not Achieved 28% - 50% = Partially Achieved 51% = Fully Achieved	Not Started	0%	Planning	20%	Fieldwork	50%	Draft Report	90%	Complete	100%
Not Started	0%												
Planning	20%												
Fieldwork	50%												
Draft Report	90%												
Complete	100%												
<p><b>2. Verification that at least 90% of Critical and High Risks have been mitigated by management at the time of follow up</b></p>	90%	78%	0-49% = Not Achieved 50-89% = Partially Achieved 90% = Fully Achieved										
<p><b>3. Average customer satisfaction score for year to meet or exceed acceptable level for at least 85% of completed surveys</b></p>	85%	100%	0-49% = Not Achieved 50-84% = Partially Achieved 85% = Fully Achieved										

# Assurance Ratings



<p><b>4. % of reports year to date achieving:</b></p> <ul style="list-style-type: none"> <li>•Substantial</li> <li>•Reasonable</li> <li>•Limited</li> <li>•No Assurance</li> <li>•Partially Implemented</li> <li>•N/A</li> </ul>	<p><b>N/A</b></p>	<p><b>14%</b></p> <p><b>31%</b></p> <p><b>17%</b></p> <p><b>3%</b></p> <p><b>10%</b></p> <p><b>24%</b></p>	
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**Audit Committee**  
**30th October 2019**

<b>Title</b>	<b>Corporate Anti-Fraud Team (CAFT) Q2 Progress Report 2019-20</b>
<b>Report of</b>	Clair Green – Director of Assurance
<b>Wards</b>	All
<b>Status</b>	Public
<b>Enclosures</b>	Appendix 1 - CAFT Q2 Progress Report 1 <sup>st</sup> July – 30 <sup>th</sup> September 2019
<b>Officer Contact Details</b>	Clair Green <a href="mailto:clair.green@barnet.gov.uk">clair.green@barnet.gov.uk</a> 0208 359 7791
<b>Summary</b>	
This report covers the period 1 <sup>st</sup> July – 30 <sup>th</sup> September 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 1st July – 30th September 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 came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits by designing better services, and finding new and innovative solutions to difficult problems.

### **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 1<sup>st</sup> May 2019 (Decision item 13) the Audit committee included in the Committee Forward Work Programme that quarterly progress reports on the work of the Corporate Anti-Fraud Team will be produced at these committee meetings..

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# Appendix 1

## **Corporate Anti-Fraud Team (CAFT) Progress Report: 1 July – 30 September 2019**

1. Introduction
2. Pro-active Fraud Plan
3. Performance Information

## 1. Introduction

This report covers the period 1 July 2019 – 30 September 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 **413** allegations of fraud in this second 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><b>Disabled Blue Badge Street Operation.</b></p> <p>Disabled Blue Badges must only be used by the named badge holder, or by a person who has dropped off or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a blue badge in any other circumstances.</p>	<p>CAFT have conducted two intelligence led pro-active Street Operations in quarter 2.</p> <p>The first operation took place in High Barnet in July 2019 where CAFT Officers were accompanied by Police and NSL Officers. As a result of this Operation, a total of <b>55</b> blue badges were checked of which <b>7</b> Blue Badges were found to be being misused. <b>1</b> of these badges was cancelled as lost/stolen. <b>This</b> badge was seized by CAFT Officers and a total of <b>5</b> PCN's were issued.</p> <p>The second operation took place in Finchley Central in August 2019 where CAFT Officers were accompanied by Police and NSL Officers. As a result of this Operation, a total of <b>90</b> blue badges were checked of which <b>9</b> Blue Badges were found to be being misused. <b>3</b> of these badges were seized by CAFT Officers as the drivers returned to the vehicles while officers were present, and a total of <b>6</b> 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	Q2 2019-20	Comments
<p><b>Corporate Fraud Team</b> 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.</p>		
Number of carried forward fraud investigations from Q1	26	
Number of new fraud investigations	19	
<b>Total number of Cases dealt with in Q2</b>	<b>45</b>	
Total Number of closed fraud investigations	23	<p><b>3</b> cases closed as Advice &amp; Assistance given</p> <p><b>1</b> CTRS case closed Fraud Proven (NFA) where it is not in the public interest to pursue the case</p>

		<b>9</b> cases closed 'No Fraud' <b>7</b> cases closed insufficient evidence <b>1</b> case closed as referred to DWP <b>2</b> cases closed as referred to Police
Number of staff no longer employed / dismissed as a result of CAFT investigations.	1	This case relates to Family Services
<b>Total number of closed cases in Q2</b>	<b>24</b>	
Number of cases awaiting legal action	1	This case relates to Direct Payment Fraud (Adults)
Total number of on-going fraud investigations	20	<b>1</b> relates to Assisted Travel, <b>3</b> relate to Parking <b>9</b> relate to Council Tax <b>3</b> relate to Direct Payments (Adults) <b>2</b> relate to Direct Payments (Children's) <b>1</b> relates to CSG Information Systems <b>1</b> relates to Care Services Delivery (Adults)
<b>Total number ongoing investigations carried into Q3</b>	<b>21</b>	
<b>Concessionary Travel Fraud</b> 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 Q1	61	<b>1</b> of these relates to Parking Permit Fraud <b>60</b> of these relate to Blue Badge Fraud
Number of new referrals received	82	<b>2</b> of these relate to Parking Permit Fraud <b>80</b> of these relate to Blue Badge Fraud As a result of these referrals <b>4</b> blue badges have been seized.
<b>Total number of CTF investigations dealt with in Q2</b>	<b>143</b>	
Number of cases that were closed after successful prosecution in Q2	7	All of these were Blue Badge related cases and 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 Q2	14	All of these were Blue Badge related.
Number of cases closed with a warning letter sent to badge holder or misuser in Q2	12	All of these relate to Blue Badge cases. 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	24	3 cases were closed as No Fraud (2 relating to Blue Badge, 1 relating to Parking Permits) 1 Advice & Assistance given (relating to Parking Permit) 20 cases were closed due to insufficient evidence (Blue Badge).
<b>Total number of CTF cases closed in Q2</b>	<b>57</b>	
Number of cases with legal awaiting court action	6	All of these cases are Blue Badge related and are with our legal team pending criminal proceedings
Number of On-going CTF investigations	80	79 relate to Blue Badge Fraud 1 relates to Parking Permit Fraud
<b>Total number of CTF investigations carried into Q3</b>	<b>86</b>	
<b>Financial Investigations</b> - 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 Q1	25	
Number of new Financial investigations received in Q2	1	
<b>Total number of Financial investigation in Q2</b>	<b>26</b>	
Number of closed Financial investigations	2	1 Closed as Proceeds recovered 1 POCA case discontinued
<b>Total number of closed Financial Investigations in Q2</b>	<b>2</b>	
Total Number of on-going Financial Investigations	24	8 relate to planning enforcement 4 relates to Housing (Tenancy Fraud) 1 relates to Barnet Homes 1 relates to Trading Standards 1 relates to Finance 1 relates to Pensions There are a further 7 cases which we are investigating as part of an agreement with Haringey Council.  There is a further 1 case which we are investigating as part of an agreement with Enfield Council.  Details of cases are reported on closure if fraud is proven or another sanction given.
<b>Total number of Financial Investigations carried into Q3</b>	<b>24</b>	
<b>Tenancy Fraud Team</b> 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 Q1	105	
Number of new Tenancy Fraud Investigations	55	
Number of new Right to Buy Applications received for verification	39	Since April 2017 CAFT hold the responsibility for vetting all Right to Buy Applications submitted to Barnet Homes.
<b>Number of matters dealt with in Q2</b>	<b>199</b>	
Number of Tenancy Fraud Investigations closed due to property being recovered	11  (total of 21 Properties recovered between April 19 and Sept 19)	<b>6 relate to standard tenancies</b> where 3 were recovered via civil action due to non-occupancy and 3 were voluntarily surrendered as a result of the CAFT investigation <b>4 relate to emergency housing</b> where the property was recovered. <b>1 relates to a succession application</b> where the property was recovered.  A sample of noteworthy cases are referred to in Section 4 of this report
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 joint to sole applications that were denied as a result of CAFT intervention	1	
Number of Right to Buy verifications closed due to applications being denied because of CAFT intervention	9 (total of 14 RTBs denied since April 2019)	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	30	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.	58	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>
<b>Total number of cases closed in Q2</b>	<b>111</b>	
Total number of on-going Tenancy Fraud Investigations.	71	Of these cases 4 are with legal awaiting Criminal prosecution and 8 are with legal awaiting Civil action.

Total number of on-going Right to Buy Investigations.	17	
<b>Number of Tenancy Fraud investigations carried into Q3</b>	<b>88</b>	
<b>Other information reported as per requirements of policy.</b>		
Number of requests authorised for surveillance in accordance with Regulation of Investigatory Powers Act 2000 (RIPA).	<b>0 this quarter.</b> 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.	<b>0 this quarter.</b>	

#### 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 Haringey. Their investigation centred around an individual who failed to comply with a planning enforcement notice relating to 10 studio flats which were rented out without planning permission. The defendant failed to comply with the notice and continued to rent the units, generating a rental income. CAFT officers commenced a financial investigation on behalf of LB Haringey. This resulted in a confiscation order being made for the sum of £76,500. The defendant was also fined £5,000 and ordered to pay costs of £4,520. Under the terms of the joint working agreement CAFT will receive £7,650 and £872 in costs.

**Case 2** – relates to a referral from Family Services alleging that an employee had misappropriated funds in that they had made expense claims for tasks and activities as part of their role that had not taken place. CAFT carried out a Fraud investigation and interviewed the employee under caution and the employee gave an explanation that the department had checked his receipts at the time, although no evidence of receipts was available. CAFT decided not to pursue a criminal investigation based on the evidence available. A full report was submitted for follow up and action in relation to tightening processes and procedures. The evidence gathered was used as part of the disciplinary proceedings and on the day of the hearing the employee resigned.

##### Concessionary Travel Fraud

**Case 3-** relates to the misuse of a relative's blue badge in order to obtain free parking to attend university. The defendant was found guilty on 25th June at Willesden magistrates court for offences under the Road Traffic Regulation Act 1984 and was sentenced to a fine of £100 and ordered to pay costs to the sum of £350 and £30 victim surcharge.

**Case 4-** relates to the misuse of a relative's blue badge. When questioned the defendant lied stating that the badge holder was with him at the time. The defendant pleaded not guilty and the matter was then taken to trial. The defendant was found guilty of offences under the Road Traffic Regulation Act 1984 for the misuse of the badge and as a result was sentenced to a fine of £575 and ordered to pay costs to the sum of £750 and £57 victim surcharge.

**Case 5** - relates to the misuse of a blue badge by the defendant that had been reported as lost by the genuine badge holder. The defendant was using the badge in order to obtain free parking to attend university. The defendant was found guilty at Willesden Magistrates court for offences under the Road Traffic Regulation Act 1984 and was sentenced to a fine of £1,223 and ordered to pay costs to the sum of £120 and £30 victim surcharge.

**Case 6-** relates to the use of a counterfeit blue badge in a vehicle parked on a single yellow line. The defendant also made a false appeal in relation to the PCN he received in which he purported to be the badge holder stating

he was present during the use of the badge. The defendant was found guilty of offences under the Road Traffic Regulation Act 1984 and the Forgery and Counterfeiting Act 1981, they were sentenced to a fine of £120 and ordered to pay costs of £1,370 and £30 victim surcharge.

**Case 8** - relates to the use of an expired blue badge by the genuine badge holder's mother while the badge holder was at school. The defendant did not accept that she had done anything and failed to admit to any wrong doing. The defendant was found guilty of offences under the Road Traffic Regulation Act 1984 and was sentenced to a conditional discharge for a period of 6 months.

**Case 9** - relates to the use of a deceased relative's blue badge, in addition to this the defendant had applied to renew the badge after the badge holder had passed away. The defendant was found guilty of offences under the Road Traffic Regulation Act 1984 and the Fraud Act 2006, they were sentenced to a fine of £270 and ordered to pay costs of £1265 and £30 victim surcharge.

**Case 10** - relates to the use of a counterfeit blue badge in a vehicle, the defendant stated that their mother had previously found the badge and on the date of offence the defendant had put it on display in error and was meant to place a relative's genuine blue badge on display. The defendant was found guilty of offences under the Road Traffic Regulation Act 1984 and was sentenced to a fine of £170 and ordered to pay costs of £600 and £30 victim surcharge.

### **Simple Cautions (formally known as Formal or Police Cautions)**

**14 Simple Cautions** were administered by CAFT in Q2 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**

**Mr B** case was previously reported within the CAFT Q2 18-19, this was in relation to the sub-letting of a two bedroom flat in North Finchley, the tenant had sub-let both bedrooms at a rent of £600 per month, due to the investigation the tenant returned the keys and the property was recovered. However due to the seriousness of the offence the case was referred for criminal proceedings. In September 2019 Mr B pleaded guilty to Section 1 of Prevention of Social Housing Fraud Act 2013, he was sentenced to a fine of £2,500, to pay the costs of £2,757 and an unlawful profit order of £12,349.58. It should be noted that this is the first case where an Unlawful Profit Order has been awarded to the council which came about as a result of evidence being put before the court which showed that the tenant made a profit from claiming housing benefit whilst the rent on the property was being paid by the subtenant.

**Mr A** had a one bedroom flat in Barnet, an anonymous referral was received on the fraud hotline, the caller had concerns that the property had been empty for a long time and only seen someone there four times in a fourteen-month period. A CAFT investigation found that the tenant had been living in Hemel Hempstead area, the tenant refused to attend an interview under caution, however the tenant decided to return the keys and the property was recovered, there was no evidence of sub-letting, therefore the property being recovered was the best achievable outcome.

**Mr B** had a two bedroom flat in Barnet, a referral was received from Barnet Homes, they had concerns the tenant was living elsewhere. A CAFT investigation found evidence that the tenant had not been resident in his

address for some time and had been living at his mother's property, due to health issues, the tenant decided to return the keys for and the property was recovered, due to his health issues no further action was taken.

**Mr C** had a two bedroom flat in Barnet, a referral was received stating the tenant was not resident and living in America. A CAFT investigation showed the tenant had been living abroad for some time and informed the investigating officer she had a job abroad, due to the fact the tenant was abroad she was not able to be interviewed. The matter progressed to civil court and the tenant attended, however the court gave outright possession to the council due to the evidence obtained and the property was recovered through an eviction.

**Miss D** had a two bedroom flat in Colindale, a referral was received Nottingham Housing Association, advising that they had not had contact with the tenant for some time. A CAFT investigation found evidence that the tenant was living abroad and had been for a long period of time, the case was taken to civil court where outright possession was granted, an eviction took place and the property was recovered.

**Miss E** had a one bedroom flat in Colindale, a referral was received from the 'gas safety team' as they were unable to gain access to carry out the annual safety checks, a forced entry to the property was carried out, this showed the property was mostly empty. A CAFT investigation established that the tenant was not in fact resident. The tenant failed to attend an interview under caution, the matter therefore went to court where an immediate possession order was granted, an eviction took place and the property was recovered.

**Mrs F** had a three-bedroom house in Edgware, a referral was received from the housing officer, they believed the tenant was not resident and possible sub-letting to her daughter. A CAFT investigation established that the tenant had been living in Plymouth for approximately six years and her daughter had been sub-letting the property unlawfully. The tenant was interviewed under caution where she admitted to not living in the property for two years and allowing her daughter to live there, she claimed the money she received from her daughter was for bills, however this was the exact amount of the rent for the property, the tenant decided to return the keys and the property was recovered, the case is currently being considered for prosecution and recovery of costs for the loss to Barnet Council.

**Mr G** made a succession application for a two-bedroom house in Edgware after the passing of his mother, however due to a CAFT investigation it showed that the applicant had not been resident in the property for the required twelve months prior to death, the keys were therefore returned and the property recovered.

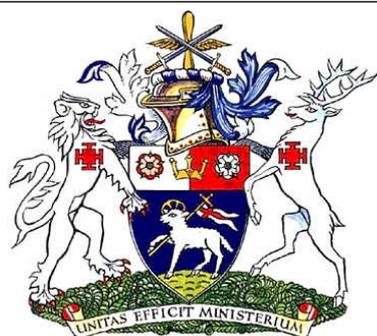
**Ms H** had a one bedroom flat in Cricklewood, an anonymous referral was received stating that his friend was renting a room from the tenant whilst the tenant was actually living abroad. A CAFTCAFT investigation established that the tenant was in fact living abroad. As the property was temporary accommodation the tenancy was cancelled and the property recovered, there was no evidence of sub-letting.

**Ms I** had a one bedroom flat temporary accommodation property in the Camden area. A referral was received on the fraud hotline, the caller stated that the tenant was not resident at the property and was living with her mother in Whetstone. As part of a CAFT investigation, a number of visits were carried out to the property however the tenant was never in, additional evidence gathered also showed she was usually in and around the Whetstone area, once the tenant became aware she was being investigated she decided to return the keys and the property was recovered, due to there being no evidence of sub-letting this was the best outcome.

**Miss J** had a temporary accommodation bedsit in Willesden, a referral was received from the housing agent, they believed the property was being sub-let to a man whilst the tenant was abroad. A CAFT investigation showed the tenant was abroad. An un-announced visit was made with the agent, there was no reply so he therefore gained access, it was clear that a man was residing and not the tenant, a statement was obtained from a neighbour who confirmed he had only ever seen a man in the property. Due to the evidence the tenancy was cancelled and the property recovered, no further action could be taken due to the tenant being abroad.

**Mr K** had a two bedroom flat temporary accommodation in Willesden, an anonymous referral was received, the referral stated that the tenant was not living in the property and was abroad. A CAFT investigation showed the tenant was abroad and had not informed Barnet Homes, the temporary accommodation tenancy was cancelled and the property recovered, there was no evidence of sub-letting.

**Mr L** made an application for housing stating that he and his family were going to be made homeless by his private landlord. A CAFT investigation found this not to be true and the application was false and the applicant had in fact sent in a false notice of termination from the landlord. The applicant was interviewed and fully admitted he had completed a false application, due to the fact the applicant fully admitted the offence and his mitigating circumstances he accepted a formal caution.



## Audit Committee

### 30th October 2019

<b>Title</b>	<b>Final external auditors report 2018-19</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – Final Audit Completion Report Appendix B – Summary of changes from the draft accounts – to follow
<b>Officer Contact Details</b>	Anisa Darr –Director of Finance, <a href="mailto:Anisa.Darr@barnet.gov.uk">Anisa.Darr@barnet.gov.uk</a> 020 8359 7634

## Summary

This report summarises the outcome of the external audit of the Council's Statement of Accounts is undertaken by BDO LLP. The findings are reported in the final Audit Completion Report at Appendix A. On 16<sup>th</sup> July 2019, the Audit Committee considered and approved the 2018/19 statement of accounts based on the draft Audit Completion Report subject to the clearance of the outstanding matters referred to in the draft Audit Completion Report. However, the audit was not concluded on time due to delay with the completion of the audit work. The Council therefore published a notice on 31st July 2019 to confirm the accounts status.

BDO have now completed all outstanding investigations and issued an unmodified (formerly known as unqualified) opinion on the Statement of Accounts on the 30<sup>th</sup> of September 2019.

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 Statement of Accounts, including the Pension Fund accounts, were published on

1<sup>st</sup> October 2019.

The audit has identified the need for some 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

The auditors have identified material and other misstatements that have been corrected by management. These corrections related principally to valuation of assets and did not impact on the General Fund or HRA balances. These misstatements increased expenditure for the Council by £29.768 million (Group £10.995 million) and amended the reported surplus of £6.635 to a deficit of £23.133 million (Group deficit £3.903 million)

There are nine unadjusted audit differences identified by the auditor's work which would further increase the deficit on the provision of services for the Council by £10.564 million to £33.697 million (Group deficit increased by £11.113 million to £15.016 million). Management has not corrected the financial statements for these misstatements.

## **Recommendations**

- 1. That the Committee note the Statement of Accounts for 2018/19 and Summary of changes listed in appendix B.**
- 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 Part 3, paragraph 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 Accounts and Audit Regulations 2015 also require that the accounts are published by 31 July 2019. However, the audit was not concluded on time due to delay with the completion of the audit work. The Council therefore published a notice on 31st July 2019 to confirm the accounts status.

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*”.

## 5.5 **Risk Management**

5.5.1 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.

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

## 5.6 **Equalities and Diversity**

5.6.1 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.

## 5.7 **Corporate Parenting**

5.7.1 None in the context of this decision

## 5.8 **Consultation and Engagement**

5.8.1 None in the context of this decision

## 6. **BACKGROUND PAPERS**

6.1 None



Report to the Audit Committee

# LONDON BOROUGH OF BARNET COUNCIL

Audit Completion Report: Year ended 31 March 2019

IDEAS | PEOPLE | TRUST



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# WELCOME

## Introduction

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

This report updates the Committee of the findings and conclusion from the remaining issues from the audit that we brought to your attention in our report and presentation to you on 16 July 2019.

It summarises the results of completing the planned audit approach for the year ended 31 March 2019, specific audit findings and areas requiring further discussion and/or the attention of the Audit Committee. At the completion stage of the audit it is essential that we engage with the Audit Committee on the results of our audit of the Group and the Council financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Audit Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

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



Leigh Lloyd-Thomas  
27 September 2019



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Engagement Partner

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

# OVERVIEW

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This summary provides an overview of the audit matters that we believe are important to the Audit Committee in reviewing the results of the audit of the financial statements of the Council and Group and use of resources of the Council for the year ended 31 March 2019.

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



### Overview

Our audit work is complete and we anticipate issuing our opinion on the Council and Group's financial statements and the Council's use of resources for the year ended 31 March 2019.

We were unable to conclude the audit by the 31 July deadline due to issues over valuations of land, buildings and dwellings, where additional work was required by the valuer and amendments made to the financial statements as a result.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

### Audit report

We are proposing to issue an unmodified audit opinion on the Council and consolidated Group financial statements.

We are proposing to issue an unqualified use of resources conclusion.

# THE NUMBERS

## Executive summary

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### Final materiality

Group and Council final materiality was determined based on gross expenditure.

We have increased our materiality from £16.2 million to £16.9 million (Group materiality from £16.2 million to £17.3 million) as a result of increase in final outturn of gross expenditure compared to the prior year.

### Material misstatements

We identified material and other misstatements that have been corrected by management. These corrections related principally to valuation of assets and did not impact on the General Fund or HRA balances. These misstatements increased expenditure for the Council by £29.768 million (Group £10.995 million) and amended the reported surplus of £6.635 to a deficit of £23.133 million (Group deficit £3.903 million)

### Unadjusted audit differences

There are nine unadjusted audit differences identified by our audit work which would further increase the deficit on the provision of services for the Council by £10.564 million to £33.697 million (Group deficit increased by £11.113 million to £15.016 million).

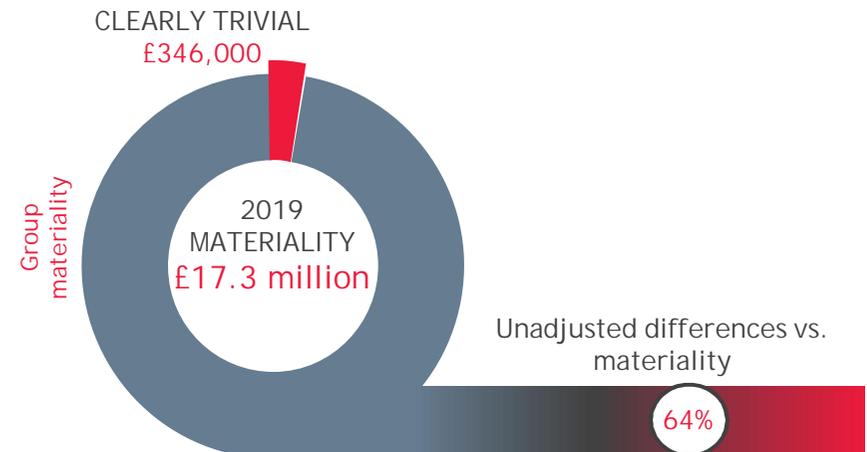
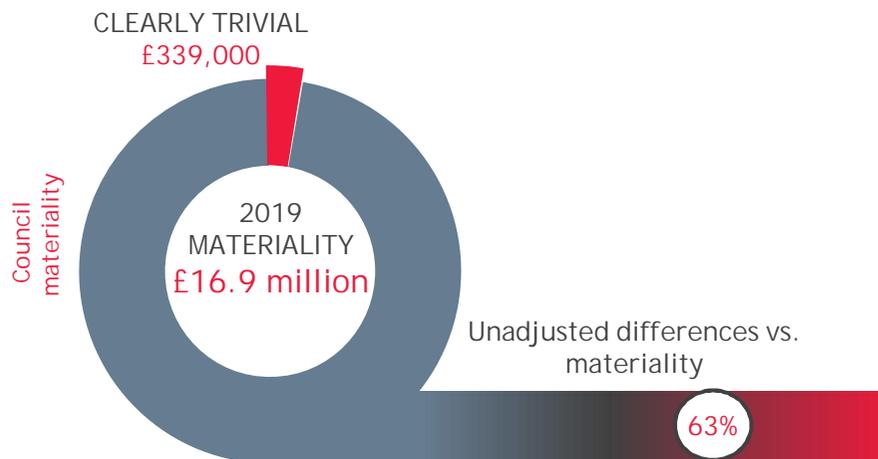
Management has not corrected the financial statements for these misstatements.

### Audit scope

Our approach was designed to ensure we obtained the required level of assurance across the components of the Group in accordance with ISA (UK) 600 (Audits of Group Financial Statements). This objective has been achieved.

We have audited the Council's financial statements under the NAO Code of Audit Practice. We have undertaken specific procedures for Barnet (Holdings) Limited.

Grant Thornton has audited The Barnet Group and its subsidiaries under the Companies Act.



# OTHER MATTERS

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### Financial reporting

- We have not identified any non-compliance with group accounting policies or the CIPFA Code.
- No significant accounting policy changes have been identified impacting the current year. IFRS 9 financial instruments and IFRS 15 revenue from contracts with customers has not had a material impact.
- Going concern disclosures are deemed sufficient.
- The Narrative Report and other information included in the Statement of Accounts with the financial statements is consistent with the financial statements and our knowledge acquired in the course of the audit.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- We will complete our review of the Whole of Government Accounts Data Collection Tool (DCT) after we have completed our audit of the financial statements.

### Other matters that require discussion or confirmation

- Discussion of issues identified by audit since 16 July Audit Committee and final schedule of adjusted and unadjusted misstatements.
- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

### Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Group and the Council in accordance with the Financial Reporting Council's Ethical Standard.



## AUDIT RISKS OVERVIEW

As identified in our Audit Plan dated 21 January 2019 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant management estimates or judgement	Use of Experts Required	Error Identified	Significant Control Findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	No
Revenue and expenditure recognition	Significant	No	No	No	No	No
PPE and investment property valuation	Significant	Yes	Yes	Yes	Yes	Adjustments made to carrying value of dwellings and assets to be demolished
Pension liability valuation	Significant	Yes	Yes	Yes	No	Impact of McCloud and GMP on pension liability
Presentation of income and expenditure in the CIES	Significant	No	No	No	No	No
Allowance for non-collection of receivables	Normal	No	No	No	No	No
Related party transactions	Normal	No	No	Yes	No	Omission of Open Door loan draw down
Renegotiated Brent Cross lease	Normal	No	No	Yes	No	Reclassified as finance lease disposal for 999 year lease
Classification and measurement of financial instruments (IFRS 9)	Normal	No	No	Yes	No	Corrected disclosures for classification of financial instruments
Revenue from contracts with customers (IFRS 15)	Normal	No	No	No	No	Additional disclosures requested for recognition policies

■ Areas requiring your attention

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ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

- Significant risk**
- Normal risk
- Significant management judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Significant Control Findings
- Letter of Representation point

### Risk description

ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

### Work performed

We carried out the following planned audit procedures:

- Reviewed and verified large and unusual journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals. We used our IT team to assist with the journal extraction;
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

### Results

Our detailed testing of a sample of journals has not identified any significant issues.

We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are set out in this report.

We have identified no significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.

# REVENUE AND EXPENDITURE RECOGNITION

Under auditing standards there is a presumption that income recognition presents a fraud risk.

Significant risk
Normal risk
Significant management judgement
Use of experts
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## Risk description

We consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions as these may be recognised as revenue in the comprehensive income and expenditure statement (CIES) before the performance conditions are satisfied.

In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 issued by the Financial Reporting Council. This states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. This risk is identified as being relevant to cut-off of expenditure, where testing will be focussed.

## Work performed

We carried out the following planned audit procedures:

- Tested a sample of grants included in income to documentation from grant paying bodies and check whether recognition criteria have been met; and
- Tested a sample of expenditure either side of year end, to confirm that expenditure has been recorded in the correct period and that all expenditure that should have been recorded at year end has been.

## Results

Our sample testing of revenue and capital grants confirmed that these were recognised when performance conditions attached to them had been satisfied. However, we noted that there is no formal review of grant documentation to ensure that conditions attached to grants, if any, are met prior to recognition in income. We have raised a recommendation to address this deficiency that may potentially result in an incorrect recognition point for grants received with unmet conditions.

Our audit work to confirm expenditure has been recorded in the correct period did not identify an issues.

# PPE AND INVESTMENT PROPERTIES

There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

## Risk description

Local authorities are required to ensure that the carrying value of land, buildings, dwellings and investment properties is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.

The Council applies an annual revaluation process which is determined through consultation between the finance team and Principal Valuation Manager. High value properties, and those which are expected to be subject to significant valuation movements, are revalued on an annual basis. This covers approximately 90% of properties by value. Other properties are revalued on a rolling 5-yearly basis.

Due to the significant value of the Council's land, buildings, dwellings and investment properties and the high degree of estimation uncertainty, there is a risk over the valuation of these assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.

## Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and reviewed the valuer's skills and expertise in order to determine if we can rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewed accuracy and completeness of asset information provided to the valuer such as rental agreements and sizes; and
- Reviewed assumptions used by the valuer and movements against relevant indices for similar classes of assets and follow up valuation movements that appear unusual.

## Results

Our review of instructions to the valuer including the valuer's skills and expertise did not identify any issues. We also confirmed basis of valuation for assets valued in year is appropriate and in line with Code.

Our work on the accuracy and completeness of asset information used as the basis of valuation did not identify any issues. However, we found that the valuer had not been informed of a number of dwellings earmarked for demolition and had not appropriately impaired the carrying value of those dwellings.

The results of our review of the assumptions and estimates used by the valuer for classes of assets is reported on the following pages.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
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# PPE AND INVESTMENT PROPERTIES 2

## Significant estimate - Dwellings

Council's dwellings at Open Market Value Social Housing discount value (£735 million)

< lower valuation

> Higher valuation

Council dwellings are valued at open market value and adjusted to 25% of this valuation to reflect the discounted social rents charged to tenants. The adjustment reflects information provided by DCLG in 2016 for regional (London) differences between market rents and social rents.

The Council's valuer applied valuation adjustments to those Beacons that had been subject to market value testing in year and applied an overall index increase of 1.1% to houses and a decrease of 1.9% to flats for all other Beacons for 2018/19, giving a total revaluation loss of £2.0 million. The index was calculated from the average of the Beacon review valuations and Land Registry indices data to December 2018. We reviewed land registry house price indices to March 2019 which indicated an average decrease in Barnet of 3.6% for houses and 6.0% for flats for the year. We challenged the use of the price index used by the valuer given the difference between indexation applied and our expected fall in values of dwellings.

We found there was a rounding error in the original December 2018 valuation of £471,000 resulting in an overstatement of the valuation. This has not been corrected by management (#Ref 4).

The valuer undertook Beacon valuations for only six flats and three houses out of the 403 separate Beacons archetypes (to represent 9,780 dwellings). We noted some inconsistencies in the valuations given for two Beacons where the increase appeared to be out of line with price indices and the average Beacon valuations for other properties in that location. We requested additional information on those two Beacon valuations and an additional sample of 20 Beacons to check whether these valuations were appropriate. The valuer subsequently confirmed that the valuations attached to these two Beacons was not appropriate and amended the valuation down by £2.668 million, and these and are now in line with the other valuations to December 2018. This has been corrected by management (#Ref 5). We recommend that the valuers undertake a larger sample of Beacon properties for market testing each year and investigate thoroughly any market testing valuations for significant outlier valuations.

We found that some of the Beacons valued could not be priced to market where they were noted as being vacated and boarded up pending demolition. Upon further enquiries it was found that there were 8 buildings and 110 Flats in the same area where the Council had taken the decision before 31 March 2019 for the tenants to be relocated and the flats boarded up before the buildings were handed over for demolition and redevelopment. Dwellings agreed to be demolished should be impaired so that only the land value should be included in the valuation. This will reduce the carrying value of dwellings by £3.6 million. This has been corrected by management (#Ref 4).

We recommend that management provide additional information to the valuer ahead of the annual valuation exercise where the intentions of management on the existing use or planned redevelopment could impact on the carrying value of the assets.

We also found that a large part of the price falls reported by the Land Registry occurred between January and March 2019 and the valuer had not updated the valuation for market price movements since the December 2018 valuation. Applying the general market index for this final quarter would reduce the valuation by £23.5 million. We discussed this with the valuer who concurred that this was a reasonable assessment of the fall in values to March 2019 and was consistent with the valuation falls for the additional work undertaken on the 20 Beacon properties. This has been corrected by management (#Ref 1).

We are satisfied that, following the audit adjustments made by management, dwellings valuations are reasonable.

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# PPE AND INVESTMENT PROPERTIES 3

## Significant estimate - Buildings at depreciated replacement cost

Council's buildings at Depreciation Replacement Costs including schools and leisure centres (£202 million)

< lower valuation



> Higher valuation

Council owned schools are valued at depreciated replacement cost on the basis of government guidance on the minimum required floor area per pupil for different types of school and estimated rebuild costs. Leisure centres are valued at depreciated replacement cost using the existing gross internal area and estimated rebuild costs. This valuation is reduced to reflect the age and remaining useful economic life of the building.

All 46 schools and all three leisure centres were revalued in the year using rebuild costs per square metre based on the upper quartile BCIS regional prices. This resulted in a valuation decrease 4.0% (£8.1 million) for schools and decreases of 8.4% (£0.9 million) for leisure centres.

The school valuations have been reviewed and agreed to the Modern Equivalent Asset DRC valuation guidance set by the Department of Education based mainly on RICS school sq/m build cost and published pupil numbers by the Department of Education. The schools decrease can largely be explained by the decrease in the remaining useful life and additional one year depreciation. The gross build costs are impacted by the RICS m2 Build costs which have decreased between 1 January 2018 and 31 December 2018 by 1.86% over 43 of the 46 of the primary schools with a partial offset by small increase on rebuild costs for secondary schools. There has also been a small decrease in the pupil numbers of 0.26% which impacts on the build cost element.

There was a formula error in the valuation spreadsheet which caused the remaining useful life of four schools not to be reduced by one year resulting in the valuation to be overstated by £506,000. This has not been corrected by management (#Ref 5).

BCIS Public Sector TPI index suggests that the leisure centres should have increased by 2.4% rather than decreased by 8.4%. This is mainly attributed to the decreased value of the Cophall leisure centre which has reached the end of its useful life and is scheduled to be demolished in 2019/20 and the existing buildings have been fully impaired.

A new replacement leisure centre has been constructed alongside the existing leisure centre and is due to be opened in Summer 2019 at which point the old leisure centre will be closed and demolished.

We are satisfied that buildings valued at depreciated replacement cost are reasonable.

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# PPE AND INVESTMENT PROPERTIES 4

## Significant estimate - Other land and buildings and surplus assets

### Council's other land and buildings at Existing use value (£202 million)



Other land and buildings valued at existing use current value have been revalued downwards by £0.9 million (-0.8%). MCSI regional capital growth indices (for buildings) show regional price movements of -4.1% for retail, +5.4% for office, and +23.9% for industrial, for the period Q1 2018 to Q4 2018 (as the effective date of the Council's valuations is 31 December 2018). The Council's other land and building comprise a mix of these asset types.

The net downward valuation is mainly due to the Council's ongoing policy of buying residential properties outside of the Borough for use as temporary homeless accommodation. The 46 properties acquired in 2017/18 had significant sums spent to bring them up to standard but when revalued at December 2018 those costs were found not to have added any significant value to the properties leading to a downward revaluation of £1.5 million. This has been offset the small rise in other land and buildings.

We are satisfied that operational land and buildings valued at existing use value are reasonable.

### Council's surplus assets at fair value (£45 million)



Surplus assets are valued at fair value (highest and best use) by reference to similar sales and potentially including an increase where the purchaser may be able to amend the consents for use and increase the value of the asset.

Surplus assets have seen an overall revaluation increase of £5.2 million (5.8%) whilst the MSCI Sector Capital (regional) index from the Gerald Eve report suggests an increase in values between Q4 2017 and Q4 2018 at the effective date of revaluation on 1 December 2018 of 1.5%. The higher valuations are due to the majority of these assets being revalued based on updated plans for residential redevelopment that attract higher market prices for development potential.

Based on the specific use for which these assets will be developed the valuations are reasonable.

However, as part of this review we found that a school that transferred to academy status continued to include the land value in surplus assets in the asset register as this had not yet legally transferred. Councils are obliged to transfer the legal ownership of land and buildings to an academy school at Enil value. Therefore, the land value £2.499 million awaiting legal transfer should be impaired to Enil. This has not been corrected by management (#Ref 9).

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# PPE AND INVESTMENT PROPERTIES 5

## Significant estimate - Investment properties

Council's investment properties at fair value (£134 million)



Investment properties are valued at fair value (highest and best use) usually based on the current and future potential rent yields. This could potentially include an increase where the purchaser may be able to amend the consents for use or develop the property and increase the value of the asset.

Investment properties have seen an overall increase in valuation of £9.9 million (10.7%) in year. MSCI Sector Capital (regional) index from the Gerald Eve report suggests an increase of 5.8% in values between Q1 2018 and Q4 2018 at the effective date of revaluation of 31 December 2018.

There are also a significant number of land assets now being held for capital appreciation as part of the Brent Cross Redevelopment which have increased by 25% between valuation dates (1 January 2018 and 1 December 2018) based on land value increases for large scale retail and commercial developments.

The Council's investment properties comprise a mix of asset types and large redevelopment assets being part of redevelopment schemes where the valuations include reversion to mixed-development land values which will significantly impact on the valuations of some assets.

We are satisfied that investment properties at fair value are reasonable.

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# PENSION LIABILITY VALUATION

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Note: The teachers pension scheme is accounted for on a defined contribution basis as employers are unable to identify their own share of the assets and liabilities.

## Risk description

The net pension liability comprises the Council and Group's share of the market value of assets held in the pension fund and the estimated future liability to pay pensions. An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2016 triennial valuation exercise, updated at 31 March 2019 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

## Work performed

We carried out the following planned audit procedures:

- Agreed the disclosures to the information provided by the pension fund actuary;
- Reviewed the controls for providing accurate membership data to the actuary;
- Checked whether any significant changes in membership data have been communicated to the actuary; and
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.

## Results

Our audit work to agree the disclosures to the information provided by the pension fund actuary identified inconsistencies between the asset class and value per class in respect of the scheme assets disclosed in the accounts and the actuary's report. We have reported these as unadjusted disclosure. We also noted that the past service cost per the actuary's report was incorrectly disclosed. Management has updated this disclosure in the accounts.

In previous years, we have reported that the 2016 triennial valuation required significant data cleansing by the actuary and included a number of assumptions for members with incomplete data. We have previously reported some errors in these assumptions, mainly relating to assumed deferred members that were active, and the actuary has estimated that this would increase the pension liability by 0.2% (approximately £2.3 million). The actuary stated that this is well within his estimation range and that no adjustment is required to the liability calculation.

In an effort to address the existence, completeness and accuracy risk around membership data, the scheme is currently undertaking a Common Data cleanse with the actuary to prepare for the 2019 triennial valuation. The actuary highlighted in his report bulk transfer of membership in respect of some the employers of the scheme and this is consistent with the correspondence between the actuary and Council. Management confirmed that there are no other significant changes in membership data that have not been communicated.

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# PENSION LIABILITY VALUATION 2

## Significant estimate - Pension liabilities

Council's pension liabilities (£1,268 million funded LGPS and £30 million unfunded promised retirement benefits)



The Council's pension liability has increased from £1,196 million to £1,297 million and its share of the scheme assets increased from £661 million to £686 million. The net deficit increased by £76 million to £611 million. The increased liability includes £68 million arising from changes to financial assumptions including annual salaries increases above CPI at 2.8% (previously 2.7%), annual pension increases of 2.5% (previously 2.4%), and a change in the rate of discounting scheme liabilities to 2.5% (previously 2.6%).

We have compared the key financial and demographic assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

	Actual used	Acceptable range	Comments
<b>Financials:</b>			
- RPI increase	3.5%	3.4 - 3.50%	Reasonable
- CPI increase	2.5%	2.4 - 2.50%	Reasonable
- Salary increase	2.8%	1.0 - 3.50%	Reasonable - short term assumption of +1% and post 2020 set in line with RPI
- Pension increase	2.5%	2.4 - 2.50%	Reasonable
- Discount rate	2.4%	2.4 - 2.50%	Reasonable
Commutation:	50%	50%	Reasonable
<b>Mortality:</b>			
- Male current	23.9 years	23.7 - 24.4	Reasonable
- Female current	26.5 years	26.2 - 26.6	Reasonable
- Male retired	21.9 years	21.5 - 22.8	Reasonable
- Female retired	24.3 years	24.1 - 25.1	Reasonable
Mortality gains	CMI 2013 (+1.25% improvement rate) with Club Vita local adjustments		Reasonable

We consider that the assumptions and methodology used by the Council's actuary are appropriate, and will result in an estimate of the net pension liability which falls within a reasonable range.

We note that the consulting actuary has stated that the assumptions used by Hymans Robertson do tend to produce slightly higher liabilities calculations than the other actuaries, and the relative liability compared to assumptions used by others could result in a liability being at 103.1% using an average of all the actuaries.

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# PENSION LIABILITY VALUATION 3

## Significant estimate - McCloud and GMP equalisation

### McCloud age discrimination

Following the ruling on age discrimination in the McCloud case, where members approaching retirement age received protected benefits moving to the career average relevant earnings scheme from the final salary scheme but employees more than 10 years from retirement did not receive this underpin of benefits, Government will have to remedy the discrimination in the LGPS.

The Government Actuary Department has undertaken an LGPS-wide impact assessment and a worst case scenario suggests that the liability could increase by up to 3.2% for active members where the remedy would be for all staff to receive the underpin, and using a model with an average member age of 46 and salaries increasing at +1.5% above CPI.

The Council has obtained an updated valuation of the liability to take account of the impact of this ruling. This suggests that the Council's liability could increase by £1.771 million and the Group's liability increase by £2.020 million. This is lower than forecast by GAD using a worst case scenario as the actuary has assumed a lower pay increase assumption that is in line with the main fund assumptions (CPI +0.3%), a greater number of withdrawals / leavers and reflected that the Council has a lower proportion of active members in the fund than assumed by GAD. These assumptions are reasonable.

Management has not corrected the financial statements to include this additional liability and we have reported this as an uncorrected misstatement (#Ref 2).

### GMP equalisation

Following a ruling on gender discrimination in the Lloyds Banking Group case, the courts found that UK defined benefit schemes must equalise Guaranteed Minimum Pensions (GMP). The Government's interim solution, originally in place from 2016 to 2018, has been extended to 2021 and it is not yet clear whether the LGPS (through employers) or Government will fund these additional costs after 2021.

An LGPS wide assessment of additional liabilities arising from GMP equalisation for the interim solution between 2016 to 2018, the extension from 2018 to 2021, and potential post 2021 costs falling on the LGPS could increase liabilities by +0.3%.

The Council's actuary has confirmed that the calculation of pension liabilities has made no allowance for GMP equalisation costs. We have estimated that this could increase liabilities by £3.8 million for the Council and £4.1 million for the Group.

We have reported this as an uncorrected misstatement (#Ref 1).

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# NET INCOME AND EXPENDITURE CIES

There is a risk of material misstatement in gross or net accounting presentation due to the level of manual adjustments required from the ledger when preparing the CIES.

## Risk description

In the prior years the draft accounts presented for audit included material 'grossing up' and 'netting off' errors in the CIES whereby both income and expenditure were overstated or understated. We also identified a number classification errors within the prior year draft accounts.

The Council has taken steps to improve the automation of the ledger for financial reporting purposes. However, a risk of material misstatement remains due to the level of manual adjustments required to the CIES to net down income and expenditure recorded in the ledger where the Council acts as an agent on behalf of other entities.

## Work performed

We carried out the following planned audit procedures:

- Reviewed off ledger adjustments and ensure they have been appropriately treated in the accounts; and
- Tested a sample of income and expenditure items to assess that their classification and treatment in the accounts is correct.

## Results

During our interim audit testing we identified one payment of £98,000 made by the Council on behalf of Capita and repaid which was included in the ledger on a gross income and expenditure basis. This was brought to the attention of management and corrected ahead of the draft financial statements being prepared.

As part of its standard year end process, management has undertaken a review of the ledger to identify any further transactions recorded as gross income and expenditure but where the Council is acting as a payment agent for another party. This identified an additional £2.0 million that should be included on a net basis. Management had ensured that this value was accounted for correctly in the draft financial statements.

We did not identify any further issues with the classification and treatment of income and expenditure in the accounts.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

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# NON-COLLECTION OF RECEIVABLES

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There is a risk over the valuation of the allowance for the non-collection of arrears and debt.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

**Risk description**

The Council recognises an allowance for the non-collection of receivables (arrears and debt), primarily in respect of council tax, NDR, housing benefit overpayments, housing rents and parking charges. The Council assesses each type of receivable separately in determining how much to allow for non-collection. There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.

The implementation of IFRS 9 financial instruments has also changed the basis for estimating losses for non-collection of receivables and debt from an incurred loss model to an expected credit loss model that takes in account assumptions about the future credit losses. However, this includes only receivables and debt deemed to be financial instruments and excludes receivables under statute such as council tax, NDR and parking charges that CIPFA has stated will continue to be accounted for on an incurred loss model.

**Work performed**

We carried out the following planned audit procedures:

- Reviewed the provision model for significant income streams and receivables and debt balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears and, for receivables classified as financial instruments, includes appropriate assumptions for expected credit losses.

**Results**

The Council has applied the historical default rates (incurred losses) using system data to determine the credit losses on trade receivables within the scope of IFRS 9, but has not updated this to reflect expected (future) credit losses. However, this is unlikely to result in a material difference in the amount of credit losses recognised. The disclosures around forward looking information used, the use of the simplified approach and the type of debtors this has been applied to should also be improved.

Our review of the appropriateness of the allowance for non-collection of receivables is noted on the following pages.

# NON-COLLECTION OF RECEIVABLES 2

## Significant estimate - Credit losses on impairment of receivables

Council tax arrears (Total collection fund £36 million the Council's share £28 million)

< lower valuation

> Higher valuation

The Council has recognised an allowance for non-collection in relation to its share of the council tax arrears of £14 million against its share of the arrears of £28 million (total collection fund arrears is £36 million). The Council's provision has decreased from £300,000 from the prior year.

The provision is estimated using historic collection rate information of recovered debt over 5 years and applying this flat percentage to all debt aged up to 5 years and fully impairing debt over 5 years old. This average flat provision approach does not take into account the higher level of recovered debt for younger debt and reduced collections for older debt that may impact on the provision where the aging of debt changes each year. Therefore, we undertook a more detailed review of recoverability of debt for each subsequent year of non-collection and applied these recovery rate percentages to the debt for each year of aging at 31 March 2019. This calculation confirmed that the provision applied by management was reasonable.

However, our work found that some debt remains recoverable after 5 years and should not be fully impaired. As the additional amount potentially recoverable amount was not significant we did not undertake any additional testing to quantify this potential error.

NDR arrears (Total collection fund £12 million the Council's share £8 million)

< lower valuation

> Higher valuation

The Council has recognised an allowance for non-collection in relation to its share of the NDR business rates arrears of £5.5 million against its share of the arrears of £8 million (total collection fund arrears is £12 million). The Council's provision has increased by £3.6 million from the prior year to reflect the new NDR pooling arrangements across London where local authorities now hold a greater share of the debt and provision rather than allocating amounts to CLG.

The provision is estimated using historic collection rate information from last three years. The provision was found to be reasonable although again we found that some debt over three years old continues to be recovered. As the additional amount potentially recoverable was not significant we did not undertake any additional testing to quantify this potential error.

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# NON-COLLECTION OF RECEIVABLES 3

## Significant estimate - Credit losses on impairment of receivables

### Housing benefits overpayment debt (£26 million )

< lower valuation

> Higher valuation

The Council has recognised an allowance for non-collection of housing benefit overpayment debt of £25 million on total debt of £26 million. In the prior year a provision of £23 million was raised against arrears of £24 million.

The provision is estimated based on historical benefit overpayment recovery data.

We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of debt.

### Housing rents arrears (£5 million)

< lower valuation

> Higher valuation

The Council has recognised an allowance for non-collection of housing rents arrears of £3 million on total debt of £5 million. In the prior year a provision of £3 million was raised against rent arrears of £5 million.

The provision is estimated using historic collection data.

We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of debt.

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# RELATED PARTY TRANSACTIONS

There is a risk that related party disclosures are not complete and accurate.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings
Letter of Representation point

## Risk description

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit Committee.

There is a risk that related party disclosures are not complete or accurate.

## Work performed

We carried out the following planned audit procedures:

- Reviewed management processes and controls to identify and disclose related party transactions;
- Reviewed relevant information concerning any such identified transactions;
- Discussed with management and review councillors' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Undertook Companies House searches for potential undisclosed interests.

## Results

We did not identify any undisclosed related party transactions within the draft accounts however we noted that loan drawn down by Open Door Ltd was not updated at year end.

Management has updated the revised accounts to reflect amount drawn to date at year end.

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# RENEGOTIATED BRENT CROSS LEASE

There is a risk that the renegotiated lease for the Brent Cross redevelopment may not be accounted for correctly.

## Risk description

During 2018/19 the Council renegotiated the Brent Cross lease with Hammerson and Standard Life to surrender the existing lease and agree a new lease to support the redevelopment of the area.

The Council will need to assess the accounting treatment for this transaction and the potential impact on the financial statements. There is a risk that the accounting treatment of the lease may not be appropriate.

## Work performed

We carried out the following planned audit procedures:

- Reviewed the work performed by the Council to assess the accounting treatment and potential impact on the financial statements.

## Results

Management reported that the existing lease and the renegotiated lease are operating leases and there are no accounting entries required as a result of this transaction. The renegotiated lease covers the land around the Brent Cross South development for 999 years, with annual lease payment of £390,000.

Leases for 999 years are usually classified as finance lease if there are no exercisable lease options within the lease that the tenant would be expected to exercise.

Management has now reclassified this land from property, plant and equipment (and operating lease) as a disposal as a finance lease at £10.4 million (#Ref 3).

We understand that the joint venture partners for the redevelopment of the Brent Cross Shopping centre have paused any development on the site due to the financial difficulties with the current retail environment.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
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# FINANCIAL INSTRUMENTS (IFRS 9)

There is a risk that financial instruments are not classified and measured in accordance with IFRS9.

## Risk description

IFRS 9 financial instruments has been implemented for 2018/19 and requires all relevant financial instrument assets (principally investments and loans provided to others) and liabilities (principally borrowing) to be categorised under new criteria based on their business model and contractual cash flows that will determine their classification and basis of valuation.

There is a risk that relevant financial assets and liabilities are not classified and measured in accordance with the new accounting standard. There is also the risk that components who report under UK GAAP may be consolidated into the Group financial statements without the required adjustments to ensure the Group financial statements comply with the requirement of the new standard.

## Work performed

We carried out the following planned audit procedures:

- Reviewed the work performed by the Council to assess the new classification of financial instruments in accordance with the guidance on both the Council and the component bodies in the Group;
- Reviewed the disclosures required relating to the adoption of the new accounting standard; and
- Reviewed the classification and measurement of any loans to subsidiaries to ensure measurement and classification comply with the requirements of the new accounting standards.

## Results

We noted that debtors of £105.98 million was incorrectly classified as fair value through other comprehensive income instead of amortised cost.

We also note that £60.38 million of money market funds classified as fair value through other comprehensive income instead of amortised cost.

Management has now corrected this disclosure.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
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# REVENUE FROM CONTRACTS (IFRS 15)

There is a risk that revenue from contracts with customers is not measured in accordance with IFRS 15.

## Risk description

IFRS 15 revenue from contracts with customers has been implemented for 2018/19 and requires all relevant revenue streams to be reviewed under a new '5-step model' to determine the appropriate point at which revenue can be recognised. CIPFA has published guidance to assist with the required review including what revenue falls within IFRS 15 or IPSAS 23 revenue from non-exchange transactions, and the process for determining the correct recognition points and amounts for revenue. The Council will need to undertake a review of all relevant revenue streams to determine the appropriate recognition date and amounts in the financial statements.

There is a risk that relevant revenue streams are not recognised in the financial statements in accordance with the new standard. There is also the risk that components who report under UK GAAP may be consolidated into the Group financial statements without the required adjustments to ensure the Group financial statements comply with the requirement of the new standard.

## Work performed

We carried out the following planned audit procedures:

- Reviewed the work performed by the Council to assess the impact of the new '5-step model' on revenue streams on both the Council and the component bodies in the Group; and
- Reviewed the disclosures required relating to the adoption of the new accounting standard.

## Results

Our review of the revenue streams suggests that the recognition of revenue in terms of IFRS 15 is not different to how revenue was not recognised previously and no restatement in opening reserve would be required for the Council.

Whilst we have concluded that IFRS 15 does not change how revenue was previously recognised, the Council did not make any disclosures in its accounting policy to reflect this new standard. We have reported this as a disclosure omission.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
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# OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Issue	Comment
We identified that the prior year comparatives CIES in the group accounts did not agree to signed accounts. This is was due to formula error in the working papers and spreadsheet.	Management has corrected this.
The Code and IAS 7 has introduced an additional cash flow disclosure this year to reconcile the movement in financial liabilities in the balance sheet with the cash flow statement for cash movements and other non-cash movements.	Management has not corrected this. We have reported this as a presentation misstatement.
We identified that that the Council had raised a debtor of £1.492 million in respect of surpluses generated by North London West Authority which it intends to use to offset future levies. The reduction in levies will benefit the Council only in the year reduction takes place. NLWA is not a joint operation and therefore councils cannot take a share of surpluses into its own accounts in that year. This has resulted in understatement of expenditure and overstatement of debtors.	We have reported this as unadjusted error (#Ref 3).
In previous years, the Code has required that debtors and creditors should be presented by analysis of the type of counter party, such as amounts due from Government or NHS bodies. This year, the Code has removed this requirement and refers to IAS 1 presentation of financial statements and provides an example in the template financial statements, showing an analysis (for receivables) by trade customers, receivables from related parties, prepayments and other amounts.	The debtors and creditors notes should be analysed by the nature of the type of debtor and creditor rather than by the counter party. We have reported this as a presentation misstatement.
We identified that the actuary's estimated return on scheme assets in the pension fund (based on an estimated outturn before year end) at 4.61% had understated the actual return of 5.70%. We have estimated that this has resulted in understatement of the Council's share of scheme assets by £5.437 million and consequently would decrease the net liability.	We have reported this as unadjusted error (#Ref 6).

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Issue	Comment
<p>During the year the Group purchased the share capital of Cricklewood Limited. The Council had previously agreed an option to acquire this company in 2015 at the forward price of £10 million. The company holds options to acquire land from Network Rail in the Brent Cross South development zone.</p>	<p>The Council should report the £10 million outflow of cash as £5 million loan to a subsidiary (debtor) and £5 million intangible asset to reflect its 50% beneficial interest in the land purchase option.</p>
<p>The company was deemed to be a shell company holding these land options rather than trading as a business, although the land options were not carried at any value in the balance sheet of the company. Therefore, the correct accounting treatment is to recognise the fair value of the assets and liabilities acquired rather than showing this as the acquisition of a business.</p>	<p>The loan to Barnet (Holdings) Limited will also need to be disclosed as a related party transaction.</p>
<p>The Council has recorded the entire £10 million as the acquisition of an intangible asset that represents its value of the land purchase options.</p>	<p>Management has corrected this (#Ref 2).</p>
<p>The transaction, however, required the purchase of the joint venture shares in the company through two separate entities. To facilitate this, the Council advanced £5 million to its subsidiary Barnet (Holdings) Limited, and the Council and its subsidiary both acquired 50% of the company shares for £5 million each.</p>	
<p>The correct accounting treatment would require that the Council reports that it has a debtor through its loan to a subsidiary of £5 million and an intangible asset of £5 million to reflect its share of the land purchase option. The Group financial statements would continue to show that the Group has the benefit of the entire £10 million intangible asset.</p>	
<p>Management has stated that it intends to transfer to the Council for beneficial ownership the land purchased by the subsidiary which will be used to repay the loan from the Council.</p>	
<p>However, as this transfer has not yet taken place, the current presentation of the entire £10 million in the Council's balance sheet is incorrect.</p>	

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Issue	Comment
<p>We noted there was unclaimed VAT of £1.546 million included in receivables at year end. This is made of £648,000 schools input VAT from 2015/16 financial year. This has been long outstanding and it is doubtful whether this will be recovered. The remaining £898,000 arises from an accounting error resulting in an under claim of input VAT. We believe total input VAT of £1.546 million included in receivable should be reversed as it is unrecoverable.</p>	<p>We have reported this as unadjusted error (#Ref 7).</p>
<p>Our audit work identified that there was no proper bank reconciliation done to reconcile the schools bank balance per bank statement to the general ledger balance at year end. A complete bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet and the reconciling item should relate to timing differences. Our review indicated sixteen school accounts with a total unreconciled difference of £651,000 between bank statement balance and general ledger. There was also one school that had excluded one bank account with a balance of £870,000 from its bank reconciliation and posting summary for the year. Cash balances could be understated by up to £1.521 million with a corresponding misstatement in income and expenditure.</p>	<p>We have reported this as unadjusted error (#Ref 8) and reported a significant control deficiency.</p>
<p>We identified that Council had reclassified the value of assets under construction at the beginning of the year to the relevant asset category and the additional capital spend in the year to complete the asset was included as additions under the asset category the brought forward value was reclassified to thereby effectively splitting the asset into two parts with the brought forward part of the asset being reclassified before they were completed and brought into use. The Council should include the in year spend as additions under asset under construction before the asset is reclassified in it's entirety from asset under construction to the relevant asset category. The adjustment made to the accounts was a material reclassification amount of £14.2 million.</p>	<p>Management has corrected this presentational error.</p>

# OTHER MATTERS 4

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Issue	Comment
<p>During the audit of the Group consolidation we noticed that the Council has transferred £8.503 million of assets to Open Door Ltd at nominal values of £1. The £8.503 million was charged as a loss on disposal in the Council accounts. In the Open Door Ltd accounts the nominal amounts paid for the assets of £1 were included in asset under construction. Management failed to process consolidation journals to eliminate the loss and restore the value of the assets transferred in the group accounts.</p>	<p>Management has corrected this (#Ref 6).</p>
<p>We also note that RTB grants and other income amounting to £10.270 million had been passed to Open Door Ltd to enable them to fund the new Social Housing developments. In the Council accounts these contributions were charged to the CEIS. However in the company this income was not recognised in the income statement but included on the balance sheet as a deferred grant to be amortised over the course of the life of the buildings when constructed and brought into use. The Council failed to process a consolidation journal to eliminate this inter-company transaction in the group accounts.</p>	<p>Management has corrected this (#Ref 7).</p>
<p>The original contracts with Capita for outsourced services for back office functions (CSG) and Regional Enterprises (Re) in 2013 required the Council to fund mobilisation costs that are abated from the annual contract costs over the 10 year life of the contracts. The Council in-sourced parts of the CSG contract on 31 March 2019 and Capita was required to pay a contract performance penalty.</p> <p>At 31 March 2019, mobilisation costs for CSG of £2.535 million and Re of £17.621 million remain as prepayments to be recovered from ongoing payments to Capita.</p> <p>We requested that management provide legal advice or confirmation from Capita that the remaining CSG mobilisation costs can be recovered against ongoing contract payment schedules and that no adjusted is required resulting from the in-sourcing of part of the contract.</p>	<p>Management stated that this position had been agreed with Capita and that scheduled payments to date for 2019/20 had been abated by the original contract schedule reductions on the CSG contract without query by Capita.</p> <p>As we have not been provided with an agreed contract variation or written confirmation from Capita that the remaining balance of mobilisation costs can be transferred to the ongoing contract payment schedule, we have requested that management confirm this in the Letter of Representation.</p>

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## Fraud

Whilst the members and Director of Finance have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud.

Our audit procedures did not identify any fraud.

We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the audit plan to the Audit Committee.

## Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

## Internal audit

We reviewed the audit work of the Council's internal audit function to assist our risk scoping at the planning stage.

## Group matters

We have received the component auditors working papers.

# UNADJUSTED AUDIT DIFFERENCES: SUMMARY

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We are required to bring to your attention unadjusted differences and we request that you correct them.

There are nine unadjusted audit differences identified by our audit work which would further increase the deficit on the provision of services for the Council by £10.564 million to £33.697 million (Group deficit increased by £11.113 million to £15.016 million).

You consider the differences to be immaterial in the context of the financial statements as a whole.

# UNADJUSTED AUDIT DIFFERENCES: DETAIL

## Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Unadjusted audit differences										
Deficit on the provision of services before unadjusted audit differences	23,133					3,903				
1: Increase in pension liability due to GMP equalisation										
DR Central Expense	3,800	3,800				4,100	4,100			
CR Pension liability					(3,800)					4,100
2: Increase in pension liability due to McCloud Judgement										
DR Central Expenses	1,771	1,771				2,020	2,020			
CR Pension liability					(1,771)					(2,020)
3: Understatement of expenditure due to taking a share of the NLWA surplus										
Dr Expenditure	1,492	1,492				1,492	1,492			
Cr Debtors					(1,492)					(1,492)
4: Council dwellings rounding formula error on valuations - impairment charged to expenditure										
DR Housing Needs & Resources	471	471				471	471			
CR Council dwelling assets					(471)					(471)

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# UNADJUSTED AUDIT DIFFERENCES: DETAIL 2

## Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Unadjusted audit differences										
5: Schools rounding formula error on valuations - impairment charged to expenditure										
DR Children's Services	506	506				506	506			
CR School assets					(506)					(506)
6: Impact of net pension liability on using actual return on assets rather than actuary's estimated returns										
DR Pension reserve				5,437					6,198	
CR Pension liability					(5,437)					(6,198)
7: Write off of unrecoverable input VAT										
DR Expense	1,546	1,546				1,546	1,546			
CR Debtors					(1,546)					(1,546)
8: Schools bank reconciliation differences										
DR Bank				1,521					1,521	
CR Income/Expense	(1,521)		(1,521)			(1,521)		(1,521)		

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# UNADJUSTED AUDIT DIFFERENCES: DETAIL 3

## Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Unadjusted audit differences										
9: Impairment of land to be transferred to academy										
DR Children's Services	2,499	2,499				2,499	2,499			
CR Surplus Assets					(2,499)					(2,499)
<b>Total unadjusted audit differences</b>	<b>10,564</b>					<b>11,113</b>				
<b>Deficit on the provision of services after differences</b>	<b>33,697</b>					<b>15,016</b>				

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# UNADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

## Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Audit Committee is required to consider.

The following unadjusted disclosure matters were noted:

- Analysis of debtors and creditors by nature of balance rather than by counter party
- Analysis of reconciliation of financial liabilities
- Inconsistencies between asset class and value per class in respect of the scheme assets disclosed in the accounts and the actuary's report
- Analysis of statutory debts past due not impaired.

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# ADJUSTED AUDIT DIFFERENCES: SUMMARY

## Summary for the current year



We identified material and other misstatements that have been corrected by management that increased expenditure for the Council by £29.768 million (Group £10.995 million) and amended the reported surplus of £6.635 to a deficit of £23.133 million (Group deficit £3.903 million).

These corrections related principally to valuation of assets and did not impact on the General Fund or HRA balances.

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# ADJUSTED AUDIT DIFFERENCES: DETAIL

## Details for the current year

	Council						Group				
	Income and expenditure			Balance sheet			Income and expenditure			Balance sheet	
	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	
Unadjusted audit differences											
Surplus on the provision of services before adjustments	(6,635)					(7,092)					
1: Impact of downward dwelling values in the last quarter of the year charged as impairment to expenditure											
DR Expenditure	23,500	23,500				23,500	23,500				
CR Property, plant and equipment					(23,500)					(23,500)	
2: Joint acquisition of Cricklewood Limited											
DR Long term investments				5,000							
Dr Long term debtors				5,000							
Cr Intangible					(10,000)						
3: Finance lease where Council is the lessor treated as operating lease											
DR Long term debtor				10,075					10,075		
DR Short term debtor				375					375		
CR Investment property					(10,450)					(10,450)	

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# ADJUSTED AUDIT DIFFERENCES: DETAIL 2

## Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Unadjusted audit differences										
4: Impairment of dwellings earmarked for demolishing at year end charged to expenditure										
DR Expenditure	3,600	3,600				3,600	3,600			
CR Property, plant and equipment					(3,600)					(3,600)
5: Valuation errors for two beacon properties charged as impairment to expenditure										
DR Expenditure	2,668	2,668				2,668	2,668			
CR Property, plant and equipment					(2,600)					(2,668)
6: Consolidation journal to account for asset transferred to a subsidiary at a loss										
Dr Property, plant and equipment										8,503
Cr Other operating expenditure						(8,503)		(8,503)		
7: Consolidation journal to adjust grant to a subsidiary accounted for as deferred income by subsidiary										
Dr Deferred income										10,270
Cr Expenditure						(10,270)		(10,720)		
Total adjusted audit differences	29,768					10,995				
Deficit on the provision of services	23,133					3,903				

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# ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

## Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Audit Committee is required to consider.

The following adjusted disclosure matters were noted:

- Presentation of Group CIES
- Classification financial assets and liabilities in terms of IFRS9
- Note supporting £38 million net cash flows from financing activities
- Presentation of long and short term investments in the cash flow notes
- Disclosure of audit fees.

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

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Narrative Report consistent with the financial statements and our knowledge.
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council’s review of effectiveness and our knowledge of the Council.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.

# WHOLE OF GOVERNMENT ACCOUNTS

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Matter	Comment
<p>For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Council for use by the Ministry for Housing, Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level.</p> <p>This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.</p>	<p>Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 28 June 2019. The Council met this deadline.</p> <p>We are planning to issue our opinion on the consistency of the DCT return with the audited financial statements once we have completed the audit of the financial statements.</p>

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

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

As identified in our Audit Plan we assessed the following matters as being the most significant risks regarding use of resources.

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

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

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Sustainable finances	Sustainable resource deployment	Significant	None
Family service	Informed decision making	Significant	None
Contract management	Working with partners and other third parties	Normal	None

# SUSTAINABLE FINANCES

The Council will need to deliver significant savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.

## Risk description

- The Council has set a Medium Term Financial Strategy (MTFS) covering the period 2019 to 2024. The MTFS proposes a savings of £68 million over the period 2019-2024. A balanced position is forecast for 2019/20 however this is dependent on recognising additional income as a result of the business rates pooling arrangements and increased social care funding. A budget gap of £5.2 million is currently forecast for 2019/20 of which £2.6 million is assumed to be funded from reserves. The Council deems that additional funding for social care is likely to continue and this is expected to cover the remaining 2019/20 gap.
- The Council identified savings plans in order to achieve the balance budget in 2019/20. The savings targets are significant and achievement of these inherently challenging. The Council acknowledges that the continued support from reserves would not be viable.
- The Council will need to deliver significant savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.

## Work performed

We carried out the following planned audit procedures:

- Reviewed the assumptions used in the Medium Term Financial Strategy and assess the reasonableness of the cost pressures and the amount of Government grant reductions applied;
- Monitored the delivery of the budgeted savings in 2018/19 and the plans to reduce services costs and increase income from 2019/20; and
- Review the strategies to close the budget gap after 2019/20.

## Results and conclusion

The updated MTFS shows an anticipated budget gap of £65 million over the period 2019-24. The council is working on a Priorities and Spending Review project to identify how the organisation will strategically respond to this significant challenge. The reduced use of reserves to balance the gap is in keeping with the Council's overarching financial strategy of eradicating the use of one-off funding to balance the budget over the MTFS period.

Over the course of the MTFS the Council's available revenue reserves are expected to reduce to £29 million with the crucial measure of non ring-fenced revenue reserves reducing to £20.4 million at the end of 2023/24.

Significant risk	
Normal risk	
Sustainable resource deployment	
Informed decision making	
Working with partners and other third parties	
Significant control findings	

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# SUSTAINABLE FINANCES 2

The Council will need to deliver significant savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.

Significant risk	
Normal risk	
Sustainable resource deployment	
Informed decision making	
Working with partners and other third parties	
Significant control findings	

## Results

The General Fund revenue budget was £295 million during 2018/19. The net budget variance was overspend of £822,000 however this was after the Council contributed £1.333 million to its reserves.

This is an improvement on the previous year where the Council had to draw down from specific and general earmarked reserves some £5.594 million and also reported an adverse variance of £7.885 million (2.8%) to budget on a budget of £277 million. The budget is funded mainly by council tax, business rates, better care fund allocation, ring fenced and non ring fenced grants and to a lesser extent from General Fund reserves.

The Council delivered 91.2% of the planned saving in 2018/19 compared to 88.4% in the prior year. It is evident that there has been improvements managing resources and sustainable finances. However, more still needs to be done.

Although the use of reserves to fund budget gaps has reduced it is important that reserves are protected and not be seen as the fall back option for overspends and budget pressures.

We are satisfied that the Council has a good understanding of the budget requirement in the coming years, has arrangements in place to identify and manage the delivery of required savings.

## Conclusion

The Council has adequate arrangements in place for planning finances effectively to support the sustainable delivery of strategic priorities.

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# FAMILY SERVICES

Ofsted is yet to revisit their current rating Children's services as 'inadequate'.

## Risk description

The Ofsted inspection report published in July 2017 found that the following services were assessed as inadequate: Children who need help and protection, Children looked after and achieving permanence and Leadership, management and governance.

Although there has been a positive direction of travel during the year in terms of improvements made to Children's Services, Ofsted is yet to revisit their current rating of the services as 'inadequate'.

## Work performed

We carried out the following planned audit procedures:

- Reviewed the Ofsted monitoring reports issued through the year to determine the direction of travel of the services;
- Monitored progress against the Family Services Improvement action plan through the Internal Audit work;
- Reviewed the minutes of the Children, Education, Libraries and Safeguarding (CELS) Committee; and
- Held meetings with key individuals to discuss the direction of travel of the services.

## Results

Our review of the monitoring reports throughout the year indicated a positive direction of travel and the full inspection carried out in May 2019 concluded that Children's service are rated as 'Good'. The Ofsted 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. Carers also provide stable homes and are supportive and ambitious for the children in their care.

## Conclusion

We are able to remove our qualification of the use of resources conclusion referring to the previous weaknesses reported by Ofsted in Children's services.

Significant risk	
Normal risk	
Sustainable resource deployment	
Informed decision making	
Working with partners and other third parties	
Significant control findings	

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# CONTRACT MANAGEMENT

Returning the Capita contract services in-house will be a significant project and will require robust project management

## Risk description

The Council is consulting on the Capita CSG and Regional Enterprise contracts with the public with a view to returning these services in-house. Returning services in-house will be a significant project and will require robust project management to facilitate a smooth transition of these services.

## Work performed

We carried out the following planned audit procedures:

- Reviewed the governance and project management arrangements put in place by management to ensure a smooth transition of Capita contracts back in house and the robustness of these arrangements.

## Results

Strategic HR and Finance from the Capita CSG contract was insourced from 1 April 2019..

We have reviewed the project management arrangements put in place to ensure a smooth transition of the Capita contracts back in house. Most of the actions in the project plan to ensure a smooth transition were rated Green with a small number of Amber and red ratings to be addressed.

Subsequent reports shows these actions are now green and no issues with transition since 1 April 2019.

## Conclusion

We have no matters to report.

Significant risk	
Normal risk	
Sustainable resource deployment	
Informed decision making	
Working with partners and other third parties	
Significant control findings	

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# SIGNIFICANT DEFICIENCIES

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Area	Observation & implication	Recommendation	Management response
Annual review of dwellings valuations	<p>The valuer undertook Beacon valuations for only six flats and three houses out of the 403 separate Beacons architypes (to represent 9,780 dwellings).</p> <p>We noted some inconsistencies in the valuations given for two Beacons where the increase appeared to be out of line with price indices and the average Beacon valuations for other properties in that location.</p>	<p>We recommend that the valuers undertake a larger sample of Beacon properties for market testing each year and investigate thoroughly any market testing valuations for significant outlier valuations.</p>	<p>Management agree with recommendation and a review of the current Beacons list will be taken in 2019/20 valuations.</p>
Information provided to the valuer	<p>We found that some of the Beacons valued could not be priced to market where they were noted as being vacated and boarded up pending demolition. Upon further enquiries it was found that there were 8 buildings and 110 Flats in the same area where the Council had taken the decision before 31 March 2019 for the tenants to be relocated and the flats boarded up before the buildings were handed over for demolition and redevelopment.</p>	<p>We recommend that management provide additional information to the valuer ahead of the annual valuation exercise where the intentions of management on the existing use or planned redevelopment could impact on the carrying value of the assets.</p>	<p>Valuer were provided with information in relation to planned redevelopment in 2018/19, but the policy was to keep such properties as council dwelling until they were hoarded. The policy will be changed in 2019/20 to take into account the timing of the decision and not the actual date of transfer.</p>
Schools bank reconciliation	<p>Our audit work identified that there was no proper bank reconciliation done to reconcile the schools bank balance per bank statement to the general ledger balance at year end. A complete bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet and the reconciling item should relate to timing differences. The cash balance could be materially misstated if reconciling items are not appropriate timing difference.</p>	<p>Management should review processes for preparing cash and bank analyses and supporting bank reconciliations. Balances within clearing codes should be cleared down with equal and opposite entries and the total population of reconciling items should be identified, in order to appropriately prepare the bank reconciliations.</p>	<p>Work has taken place in 2018/19 to improve the reconciliations provided by schools. Management agree further improvements can be made to the reconciliations to the balance sheet.</p>

## OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Debtors analysis and identification and allocation of misclassifications receipts at year end	Our audit work identified a £900,000 credit in debtors analysis which is mainly due to unallocated receipt from customers or cash in transit. Unallocated receipt could lead to overstatement of debtors and understatement of creditors where receipt from customers are payment in advance. This could also lead to a misstatement in income.	Management should ensure that there is a timely allocation or application of receipt to outstanding customer balances and where receipts are payment in advance from customers these are reclassified to creditors.	Payments received without the correct referencing require some investigation to allocate to the correct customer. Management will work with debtors throughout the year to ensure correct references are being used so there are no unallocated receipts, especially at year end.
Payroll reconciliation	Whilst management has prepared a payroll reconciliation, management could not provide us with reports from the payroll system on time to support the amounts reported in the reconciliation workings. It is important that payroll working papers with supporting evidence are maintained to ensure accuracy and completeness of the payroll amount in the accounts	Management should ensure that adequate evidence supporting amounts in the payroll reconciliation workings are maintained at all times and made readily available for audit.	Payroll data was receive from payroll to complete the reconciliations however management agree that the reports available from payroll need improving. Management will carry out a review of the payroll reports.
Revenue recognition	We identified that there is no formal review of grant documentation to ensure that conditions attached to grants, if any, are met prior to recognition in income. This could result in premature recognition of grant income	A detailed review of all grants and supporting documentation should be carried out to ensure that grants are only recognised when conditions attached to the grants have been met.	As demonstrated to the external auditors a central grants register exists that Business Partners use to satisfy themselves that grant conditions are met through monthly budget monitoring. Management agrees that the central grants register can be enhanced and will take steps to ensure this happens.

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Area	Observation & implication	Recommendation	Management response
HRA capital projects	The Council use Barnet Homes Ltd to control and manage large amounts of revenue and capital expenditure not least the major works program for HRA properties and acquisition of out of Borough properties and subsequent improvement works expenditure. The narrative information on the invoicing and information from Barnet Homes Ltd is poor. Invoices are typically 1 line requests for funding with no additional detail provided to the Council. During audit testing we had to request support for the expenditure for some of the capital and revenue invoices being tested which had to be obtained from Barnet Homes Ltd as the Council had not been provided with the underlying information at the outset.	Barnet Homes Ltd must provide clear detailed invoices and supporting information so that the Council know exactly what they are paying for.	Actions have already been taken to improve invoicing with Barnet Homes Ltd.
Thameslink AUC	The Council use a combined AUC code to post their own owned assets additions and REFCUS additions for Thameslink.	These should be clearly segregated on different AUC codes to ensure REFCUS and own asset additions can be clearly distinguished.	The recommendation has already been actioned in 2019/20 capital monitoring and AUC.
School transfer Codes	The School transfer codes are not being controlled and reconciled using balance sheet control accounts. Instead they are included in the CEIS making it difficult to identify the correct elements of expenditure included.	The School transfer codes should be taken to a balance sheet control account and regularly reconciled and agreed.	Agree with recommendation

## OTHER DEFICIENCIES 3

Area	Observation & implication	Recommendation	Management response
Supporting working papers provided for audit	There were considerable delays in obtaining working papers for Debtors and Creditors that identified the composition of amounts that made up the closing debtor and creditor balances. Instead we were provided with working papers comprising the entire years general ledger transactions. This considerably delayed the testing of an closing balances until the Council were able to eliminate all of the contra entries to only show the closing balances and transactions.	The Council need to ensure they provide clear working papers that disclose only the balances and transactions that make up the closing balances having previously eliminated all in year reversing journals and transactions.	The Debtors and creditors working paper will be reviewed and improved in 2019/20 to meet the auditor requirements.
Consolidation	We have encouraged the Council to make substantial improvements to the quality of the Group consolidation this year as well as highlighting to large errors that the Council had to correct as part of the Group consolidation. The consolidation is becoming increasingly more complex as the activities of the subsidiaries continue to grow. This will become even more complex when the large scale redevelopments begin.	The Council need to insist that it's subsidiaries fully co-operate and provide adequate information and working papers to the Council to facilitate with the Group consolidation in future. This will be particularly important where there are reporting differences between the Local Government Code and Company reporting standards. It is now getting to the stage that the Group subsidiaries will need to provide a detailed consolidation working paper pack to highlight where they have included intra Group transactions and how they have been treated in the Company accounts.	Management agree with recommendation and more regular group consolidation will be carried out in 2019/20.

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### Opinion on financial statements

We anticipate issuing an unmodified opinion on the Group and the Council financial statements.

There are no matters that we wish to draw attention to by way of 'emphasis of matter'.

### Conclusion on use of resources

We are proposing to issue an unqualified use of resources conclusion.

### Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Council's or Group's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

### Other information

We have not identified any material misstatements that would need to be referred to in our report.

### Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

# INDEPENDENCE

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

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

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2019.

Details of services, other than audit, provided by us to the Group during the period and up to the date of this report are set out in the appendices and were provided in our Audit Plan. We understand that the provision of these services was approved by the Audit Committee in advance in accordance with the Group’s policy on this matter.

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

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

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

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Council and the Group.

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

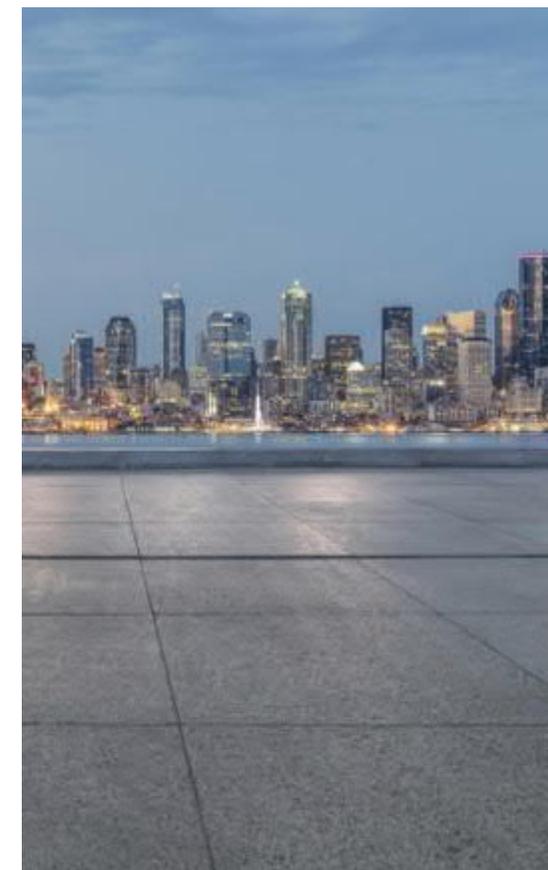
# FEES

## Fees summary

	2018/19 Actual £	2018/19 Planned £	2017/18 Actual £
<b>Audit fee</b>			
• Code audit fee	TBC	<sup>(1)</sup> 130,919	<sup>(2)</sup> 197,262
<b>Non-audit assurance services</b>	TBC	26,750	41,757
<b>Fees for reporting on government grants:</b>			
• Housing benefits subsidy claim	Work in progress	19,000	27,430
• Pooling of housing capital receipts return	Work in progress	2,750	4,771
• Teachers' pensions return	Work in progress	5,000	9,556
<b>Total fees</b>	TBC	157,669	239,019

<sup>(1)</sup> PSAA has set the 2018/19 fee scale on the basis that individual fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable scale fee for 2017/18. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.

<sup>(2)</sup> The planned Code audit fee for 2017/18 was £170,025. Due to additional work in response to additional audit risks we have informed management that we intend to raise a supplementary invoice for £27,237, for a final audit fee of £197,262.



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# RESPONSIBILITIES AND REPORTING

## Responsibilities and reporting

### Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidation Group and Council financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Group has not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

### What we don't report

Our audit is not designed to identify all matters that may be relevant to the Audit Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



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## ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

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# COMMUNICATION AND REPORTS ISSUED

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## Those Charged with Governance (TCWG)

References in this report to those charged with governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit Committee.

## Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date communicated	To whom
Audit Plan	21 January 2019	Audit Committee
Audit progress report	15 April 2019	Audit Committee
Initial Audit Completion Report	10 July 2019	Audit Committee
Final Audit Completion Report	27 September 2019	Audit Committee
Annual Audit Letter	By end October 2019	Audit Committee

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BARNET

### Opinion on the financial statements

We have audited the financial statements of London Borough of Barnet ("the Council") and its subsidiaries ("the group") for the year ended 31 March 2019 which comprise the Council and group Movement in Reserves Statements, the Council and group Comprehensive Income and Expenditure Statement, the Council and group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

### In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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## Other information

The Director of Finance is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

## Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

# AUDIT REPORT 3

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

## Responsibilities of the Director of Finance and the Council

As explained more fully in the Statement of the Director of Finance Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Director of Finance is responsible for assessing the Council's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations of the Council or group or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

## Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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## Certificate of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack, completed the work necessary to conclude on objections to the accounts received from local government electors. We are satisfied that this work does not have a material effect on the Council and group financial statements or on our use of resources conclusion.

## Use of our report

This report is made solely to the members of London Borough of Barnet, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office.

Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Leigh Lloyd Thomas

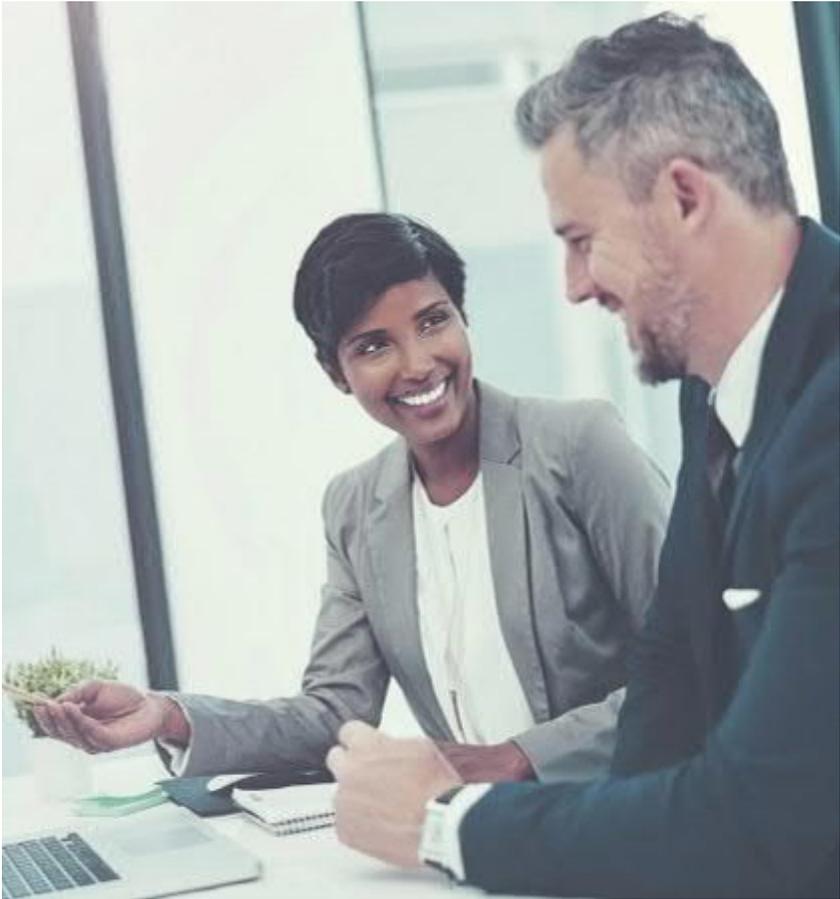
For and on behalf of BDO LLP, Appointed Auditor

London, UK

xx September 2019

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### BDO is totally committed to audit quality

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

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

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

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

More details can be found in our Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk)

BDO LLP  
55 Baker Street  
London  
W1U 7EU

Dear Sirs

Financial statements of London Borough of Barnet for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of the Group and the Council’s financial statements for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council and other Group entities.

The Director of Finance has fulfilled her responsibilities for the preparation and presentation of the Group and the Council financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the Council as of 31 March 2019 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

Going concern

We have made an assessment of the Group and the Council’s ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Group and the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 1.2 of the accounting policies to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Group and the Council’s ability to continue as a going concern.

Laws and regulations

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

Post balance sheet events

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

Fraud and error

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

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We have considered the risk that the financial statements may be materially misstated due to fraud and have made the results available to you.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

We have disclosed to you all allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

#### Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below.

In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

#### Related party transactions

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

Other than as disclosed in note 30 to the financial statements, there were no loans, transactions or arrangements between any Group entity and Council members or their connected persons at any time in the year which were required to be disclosed.

#### Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated Group and Council financial statements.

#### Accounting estimates

##### a) Pension fund assumptions

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

Rate of inflation (CPI): 2.5%

Rate of increase in salaries: 2.8%

Rate of increase in pensions: 2.5%

Rate of discounting scheme liabilities: 2.4%

LGPS commutation take up option: 50%

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

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

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

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

##### c) Allowance for non-collection of receivables

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

#### Litigation and claims

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

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## Prepayment to Capita

We confirm that the remaining Capita mobilisation prepayment of £17.621 million and the Customer Support Group (CSG) prepayment of £2.535 million at 31 March 2019 are recoverable under the terms of the arrangement with Capita through reductions to the annual payments under the contract payment schedules, and following the termination of the CSG contract on 31 March 2019 this prepayment can be recovered from the contract payment schedules for the Regional Enterprises contact.

### Confirmation

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

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

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

Yours faithfully

Anisa Darr  
Director of Finance

[date]

Rohit Grover  
Chair of the Audit Committee

[date]

FOR MORE INFORMATION:

Leigh Lloyd-Thomas

t: 020 7983 2616

e: leigh.lloyd-thomas@bdo.co.uk

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

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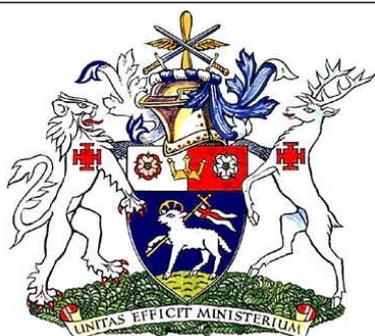
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## 2018-19 Statement of Accounts: Agreed changes

Nature of change	Area of SoA	Page number	Description of Change	Impact on Core Financial Statements	Comment
<b>Presentational</b>					
1	Narrative Report	4	Outturn Table - Service Lines to be re-ordered so consistent with order elsewhere in the SoA	N/A	
2	Notes to Core Financial Statements	26	Statement of Accounting Policies: Amendment to wording, Sections 1.14 (PPE)	N/A	Additional wording to clarify commencement of depreciation
3	Notes to Core Financial Statements	36	Statement of Accounting Policies: Amendment to wording, 1.19 (Intangible Assets)	N/A	Additional wording to clarify what is included as Intangible Assets
4	Notes to Core Financial Statements	51	Transfers to/from Earmarked Reserves - Prior Year figures amended	N/A	Presentation of Prior year figures amended (but no change to totals)
5	Notes to Core Financial Statements	58	Column headings and corrected disclosures for classification of financial instruments	N/A	Column Headings on Table amended to comply with new Accounting Standard
6	Notes to Core Financial Statements	76	Pension Schemes Accounted for as Defined Benefit Schemes	N/A	In consistent signage - Prior Year figures amended
7	Group Accounts	90	re-alignment of rows, where rows incorrectly aligned with the service headings on publication	N/A	Table replaced with the correct alignment
<b>Classification error</b>					
1	Balance sheet and Related Parties note	24 & 72	Long Term Assets: Re-classification from Intangibles to Long term Debtors and long term Investment. Also a disclosure within related party note	Movement within Long term assets	Relates to acquisition of Cricklewood Regeneration Ltd was treated as an intangible asset which is now classified as £5m Long term Debtor and £5m Long Term Investment, the acquisition included a £5m advance to Brent Cross Limited to acquire 50% of the Share Capital in Cricklewood Regeneration Ltd
2	Balance Sheet, Comprehensive Income and expenditure Statement and Property Plant and Equipment	22, 24 & 55	Adjustments made to carrying value of council dwellings and assets to be demolished	Movement within Long term assets	Due to general market indexation change for the final quarter, the valuation of council dwellings reduced by £23.5 million. These indexation were not present as at 31st March 2019. Other amendments to the valuation down by £2.668 million due to inconsistencies in the valuations given for two Beacons. Also carrying value of dwellings reduced by a further £3.6 million for impairment of void properties to be demolished.
3	Balance Sheet and Investment Properties	24 & 55	Reclassified as finance lease disposal for 999 year lease	Movement within Long term assets	Due to renegotiated Brent Cross South lease covers the land to 999 year, the land held as Investment Property asset was reclassified as a finance lease at £10.4 million.
4	Related Parties note	72	Omission of Open Door loan draw down	N/A	RTB grants and other income amounting to £10.27m million had been passed to Open Door Ltd to enable them to fund the new Social Housing developments.
5	Notes to Core Financial Statements	44	Expenditure and Funding Analysis: Expenditure & Income Analysed by Nature	N/A	No change to Total Expenditure or Total Income, but minor amendments between component figures which make up the Totals
6	Group Accounts	86	Amendment to apportionment of Net Expenditure from Financing and Investment Income and Expenditure(FIIE)	Increased in income and expenditure no change to the net position	FIIE Income amended from £6,332k to £9,102k. FIIE Gross Expenditure amended from £23,877 to £26,647k Net FIIE exp remains unchanged at £17,545k Also During the audit of the Group consolidation we noticed that the Council has transferred £8.503 million of assets to Open Door Ltd at nominal values of £1. The £8.503 million was charged as a loss on disposal in the Council accounts. In the Open Door Ltd accounts the nominal amounts paid for the assets of £1 were included in asset under construction. This amount was added to the group Balance Sheet to reflect the fair value held by the group.
<b>Error</b>					
1	Notes to Core Financial Statements	65	Investing Activities- Re-titled and additional table added	N/A	Title changed from "Investing Activities" to "Investing and Financing Activities". Missing table added to show cash-flows arising from Financing Activities. Also Note supporting £38 million net cash flows from financing activities
2	Notes to Core Financial Statements	67	Members Allowances. Slight amendment to figures	N/A	Reduced from £1,081k to £1,010k as figure in the Draft SoA incorrectly included Employer Pension and NI contributions
3	Notes to Core Financial Statements	71	Grant Income - inclusion of specific grant	N/A	Additional line added to Table 2 for £1.5m Discretionary Housing Grant. Included in CIES figures but missed from the Note
<b>Adjustments as a result of information received after the production of the draft accounts</b>					
1	Notes to Core Financial Statements	79	Contingent Liabilities and Pension liability valuation. Update stemming from McCloud Judgement	N/A	Based on revised advice from the Council's Actuary, the estimated figure for potential liability has been changed from £10m to £1.8m. Furthermore, the calculation of pension liabilities has made no allowance for GMP equalisation costs, this could increase liabilities by £3.8m for the Council and £4.1m for the Group.

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## Audit Committee

### 30th October 2019

<b>Title</b>	<b>Annual Audit Letter 2018/19</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – Annual Audit Letter 2018/19
<b>Officer Contact Details</b>	Anisa Darr –Director of Finance, <a href="mailto:Anisa.Darr@barnet.gov.uk">Anisa.Darr@barnet.gov.uk</a> 020 8359 7634

## Summary

The purpose of the Annual Audit Letter is to summarise the key issues identified by the Council's external auditor, BDO LLP, during their audit and inspection activity. The letter is designed to communicate messages to the Council and external stakeholders, including members of the public.

This covering report extracts the key messages from within the Annual Audit Letter 2018/19, which is attached to this report at Appendix A.

The following points are drawn to the attention of the Committee:

An unmodified (formerly known as unqualified) opinion on the Statement of Accounts for 2018/19 was given by the external auditors, confirming that the accounts give a true and fair view of the Council's financial position as at 31 March 2019 and its income and expenditure for the 2017/18 financial year. An unmodified opinion was also given on the pension fund's financial statements.

The unmodified audit opinions were issued on the Council's and Group's financial statements and pension fund's financial statements on 30 September 2019. The Accounts and Audit

Regulations 2015 require that the accounts are published by 31 July 2019. However, the audit was not concluded on time due to delay with the completion of the audit work. The Council therefore published a notice on 31st July 2019 to confirm the accounts status. The accounts are now published on the council's main website.

The auditors are also required to issue an audit opinion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditors concluded that they were satisfied that the Council has adequate arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The auditors concluded that they were satisfied that the Council has a good understanding of the budget requirement in the coming years, has arrangements in place to identify and manage the delivery of required savings.

The external auditors 2018/19 grant claim audit is still in progress. Further details on this will be provide on completion of audit..

The auditors cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack and also completed the work necessary to conclude on objections to the accounts received from local government electors. However, they are satisfied that this work does not have a material effect on the Council and group financial statements or on our use of resources conclusion.

The planned audit fee for 2018/19 the Council and Group Financial Statements was £130,919 (2017/18: £197,262). The planned fee for certification of the government grants was £19,000 compared with a final fee of £41,737 for 2017/18. The planned fee for the audit of the pension fund accounts was £16,170 (final 2017/18: £27,410). The final 2017/18 audit fees include additional fees that were agreed with management to resolve audit issues in that year. The auditors had to undertake additional audit work in 2018/19 on the Council's and the pension fund's financial statements and the impact of this work on proposed fees is yet to be concluded.

In addition, the Council has also commissioned the services of BDO to audit the following claims which require external auditor approval.

- Teachers' pensions return
- Pooling of housing capital receipts return

The charge for these additional services is £7,750 compared with £14,327 in 2017/18.

## **Recommendations**

- 1. That the external auditor's Annual Audit Letter for 2018/19 be received; and**
- 2. That the Committee consider whether there are any areas on which they require additional information.**

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The National Audit Office's Code of Audit Practice requires auditors to prepare an Annual Audit Letter and issue it to each audited body.
- 1.2 The purpose of preparing and issuing Annual Audit Letters is to communicate to the audited body and key external stakeholders, including members of the public, the key issues arising from auditors' work, which auditors consider should be brought to the attention of the audited body. The Annual Audit Letter covers the work carried out by auditors since the previous Annual Audit Letter was issued.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 In order that the Council can consider the external auditor's Annual Audit Letter, be able to comment on the scope and depth of external audit work and to ensure it gives value for money.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 None

## **4. POST DECISION IMPLEMENTATION**

- 4.1 None

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Annual Audit Letter summarises the key performance issues and achievements of the Council. Those areas of weakness must be addressed over the coming year; failure to do so carries the risk of adverse financial and/or reputational consequences. This supports the Council's corporate priorities as expressed through the Corporate Plan.

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

- 5.2.1 This report deals with the audit of the Council's accounts, financial performance, value for money and financial resilience. The external auditor provided an unmodified opinion with regard to the Council's financial statements and pension fund financial statements. A qualified conclusion was issued on the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.
- 5.2.2 The planned audit fee for 2018/19 the Council and Group Financial Statements was £130,919 (2017/18: £197,262). The planned fee for certification of the government grants was £19,000 compared with a final fee of £41,737 for 2017/18. The planned fee for the audit of the pension fund accounts was

£16,170 (final 2017/18: £27,410). The final 2017/18 audit fees include additional fees that were agreed with management to resolve audit issues in that year. The auditors had to undertake additional audit work in 2018/19 on the Council's and the pension fund's financial statements and the impact of this work on proposed fees is yet to be concluded.

### **5.3 Social Value**

5.3.1 None in the context of this decision

### **5.4 Legal and Constitutional References**

5.4.1 Regulation 20 of the Accounts and Audit Regulations 2015 SI 2015/234 require that, as soon as reasonably practicable after receipt of the Annual Audit Letter from the auditor, a committee of the Authority must meet to consider it and, following that consideration, must:

- Publish (which must include publication on the authority's website) the annual audit letter received from the auditor; and
- Make copies available for purchase by any person on payment of such sum the Council may reasonably require. The Council does not currently charge for requested copies.

5.4.2 The Council's Constitution, Responsibility for Functions - the functions of the Audit Committee are detailed and include "To consider the external auditor's annual letter, relevant reports and the report to those charged with governance". and "to comment on the scope and depth of external audit work and to ensure it gives value for money"

### **5.5 Risk Management**

5.4.1 The external auditors scope their audit work on the financial statements by obtaining an understanding of the Council and pension fund and its environment, including the system of internal control, and assessing the risks of material misstatement in the financial statements. The audit of use of resources is scoped by the auditors' cumulative knowledge brought forward from previous audits, relevant findings from work undertaken in support of the opinion on the financial statements, reports from the Council including internal audit, information disclosed or available to support the governance statement and annual report, and information available from the risk registers and supporting arrangements.

The Annual Audit Letter sets out the risks that had the greatest effect on the audit strategy and how those risks were addressed by the audit and audit findings.

### **5.6 Equalities and Diversity**

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

### **5.7 Corporate Parenting**

5.7.1 None in the context of this decision

**5.8 Consultation and Engagement**

There are no consultations or engagements relevant to this report

**6. BACKGROUND PAPERS**

6.1 None

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# LONDON BOROUGH OF BARNET

Annual Audit Letter  
Year ended 31 March 2019

# EXECUTIVE SUMMARY

## Purpose of the Annual Audit Letter

This Annual Audit Letter summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2019.

It is addressed to the Council but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

## Responsibilities of auditors and the Council

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice (the Code). Under the Code, we are required to report:

- Our opinion on the Council's and Pension Fund's financial statements; and
- Whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

BDO LLP

BDO LLP

11 October 2019

## Audit conclusions

Audit area	Conclusion
Financial statements Council	Unmodified opinion
Financial statements Pension Fund	Unmodified opinion
Use of resources	Unmodified conclusion
Audit certificate	We are unable to issue our audit certificate until we have completed our review of the Whole of Government Accounts return and objections in previous years.

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

# FINANCIAL STATEMENTS

## Council

### Audit opinion on the Council's and Group's financial statements

We issued an unmodified audit opinion on the Council's and Group's financial statements on 30 September 2019. This means that we consider that the financial statements:

- Give a true and fair view of the financial position and its income and expenditure for the year; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

### Materiality

Financial statements materiality was determined based on 1.5% of gross expenditure at £16.9 million for the Council and £17.3 million for the Group.

### Corrected misstatements

We identified material and other misstatements that have been corrected by management. These corrections related principally to the valuation of HRA dwellings and did not impact on the General Fund or HRA balances.

The misstatements increased expenditure for the Council by £29.8 million (Group by £11 million) and amended the reported surplus of £6.6 to a deficit of £23.1 million (Group deficit £4 million).

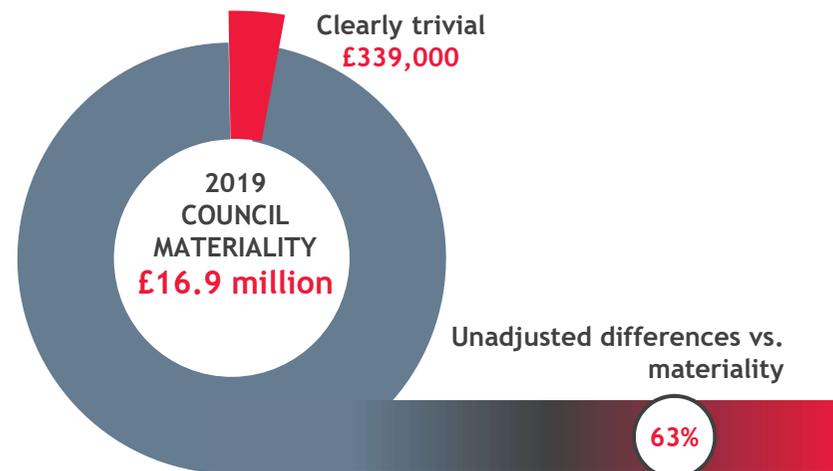
### Unadjusted audit differences

There are nine unadjusted audit differences identified by our audit which would further increase the deficit on the provision of services for the Council by £10.6 million to £33.7 million (Group deficit increased by £11 million to £15 million).

The audit differences that impact on the deficit for the year relate to additional pension liabilities arising from the GMP obligation to equalise gender benefits (£3.8 million) and the McCloud age discrimination (£1.8 million), understatement of expenditure for the North London Waste Authority levy (£1.5 million), errors arising from the spreadsheets used for the valuations of dwellings (£0.5 million) and schools (£0.5 million), write off unrecoverable VAT (£1.5 million), gains from unreconciled school bank reconciliations (£1.5 million) and write down of school land to be transferred to an academy (£2.5 million).

One audit difference resulting from the gain in the share of the pension fund assets (£5.4 million) impacts only on the balance sheet.

Management has not corrected the financial statements for these misstatements.



# FINANCIAL STATEMENTS

## Pension Fund

### Audit opinion on the pension fund financial statements

We issued an unmodified audit opinion on the pension fund financial statements on 30 September 2019. This means that we consider that the financial statements:

- Give a true and fair view of financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

### Materiality

Materiality for the pension fund financial statements as a whole was calculated at £11.4 million based on a benchmark of 1% of the value of the fund's investment assets.

Specific materiality for the fund account of £2.9 million was based on 5% of contributions.

### Corrected misstatements

Management has made corrections in respect of £0.8 million of deficit contributions paid by government on behalf of Middlesex University that had not been accrued and £0.1 million unreconciled contributions due from the Council.

This has increased the fund's net assets by £0.9 million and income in the Fund Account increased from £54.7 million to £55.6 million.

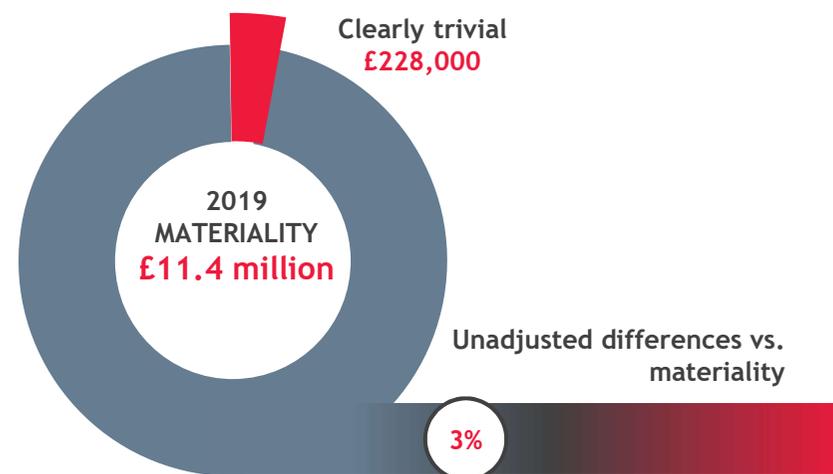
### Unadjusted audit differences

There are five unadjusted audit differences identified by our audit which would increase the net assets by £0.3 million.

The audit differences relate to lump sum payments not accrued (£130,000), transfer payments that should be charged to the following year (£227,000), a late increase in investment valuations by a fund manager (£230,000), pension strain income not accrued (£132,000) and a unreconciled bank difference to expense (£139,000).

We also identified additional pension liabilities in respect of the McCloud age discrimination and GMP gender discrimination legal judgements that would increase the fund liability to pay future pensions by £9.6 million. While the pension liability is not reported in the net asset statement, it is a material disclosure that highlights the solvency of the fund under the financial reporting standards.

Management has not corrected the financial statements for these misstatements.



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# FINANCIAL STATEMENTS

## Audit Risks

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and the direction of the efforts of the audit team.

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Risk description	How the risk was addressed by our audit	Results
Management override of controls	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none"><li>• Reviewed and verified large and unusual journal entries made in the year and agreed the journals to supporting documentation;</li><li>• Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and</li><li>• Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.</li></ul>	<p>No issues were identified by our audit of journals and accounting estimates for management override of controls or management bias.</p> <p>Whilst the total value of uncorrected audit differences in the Council's and Group's financial statements remains high, the majority of these differences relate to the net pension liability and valuations of Property, Plant and Equipment that do not impact on the General Fund or HRA revenue balances and therefore are not indicative of management bias or deliberate misstatement of the financial statements.</p>

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# FINANCIAL STATEMENTS

## Audit Risks

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Risk description	How the risk was addressed by our audit	Results
Revenue and expenditure recognition	<p>We carried out the following planned audit procedures in response to the fraudulent revenue and expenditure recognition risk:</p> <ul style="list-style-type: none"><li>• Tested a sample of grants included in income to documentation from grant paying bodies and check whether recognition criteria have been met; and</li><li>• Tested a sample of expenditure either side of year end, to confirm that expenditure has been recorded in the correct period and that all expenditure have been recorded.</li></ul>	<p>Our sample testing of revenue and capital grants confirmed that these were recognised when performance conditions attached to them had been satisfied. However, we noted that there is no formal review of grant documentation to ensure that conditions attached to grants, if any, are met prior to recognition in income.</p> <p>Our audit work to confirm expenditure has been recorded in the correct period did not identify any issues.</p>

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# FINANCIAL STATEMENTS

## Audit Risks

Risk description	How the risk was addressed by our audit	Results
Valuation of land, dwellings, buildings and investment property	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none"><li>• Reviewed the instructions provided to the valuers and reviewed the valuers' skills and expertise in order to determine if we can rely on the management expert;</li><li>• Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;</li><li>• Reviewed accuracy and completeness of asset information provided to the valuer such as rental agreements and sizes; and</li><li>• Reviewed assumptions used by the valuer and movements against relevant indices for similar classes of assets and follow up valuation movements that appear unusual.</li></ul>	<p>Our review of instructions to the valuer and assessment of their skills and expertise did not identify any issues.</p> <p>We confirmed basis of valuation for assets was appropriate for their use.</p> <p>Our work on the accuracy and completeness of asset information used as the basis of valuation did not identify any issues. However, we found that the valuer had not been informed of a number of dwellings earmarked for demolition and had not appropriately impaired the carrying value of those dwellings.</p> <p>We found a number of errors in the valuations of the HRA dwellings that have been corrected by management. These include a fall in value from the December valuation to the end of March 2019 (£23.5 million), incorrect valuations for two Beacon group dwellings (£2.7 million) and dwellings earmarked for demolition not impaired (£3.6 million). We requested additional numbers of Beacon valuations to be undertaken to provide assurance that the overall market index applied to other dwellings was appropriate.</p> <p>We also found errors arising from the spreadsheets used for the valuations of dwellings (£0.5 million) and schools (£0.5 million), and land to be transferred to an academy school for no consideration that had not been written down (£2.5 million) that have not been corrected.</p>

# FINANCIAL STATEMENTS

## Audit Risks

Risk description	How the risk was addressed by our audit	Results
Valuation of pension liabilities	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none"> <li>Assessed the qualifications and competence of the actuary;</li> <li>Reviewed the controls for providing accurate membership data to the actuary;</li> <li>Checked whether any significant changes in membership data have been communicated to the actuary; and</li> <li>Reviewed the reasonableness of the assumptions used in the calculation against other actuaries and other observable data.</li> </ul>	<p>We have previously reported that the 2016 triennial data required significant data cleansing by the actuary and that some assumptions relating to deferred members were not correct and would increase the pension liability by 0.2% (approximately £2.3 million). The actuary stated that this is well within his estimation range and that no adjustment is required to the liability calculation. In an effort to address the existence, completeness and accuracy risk of membership data, the scheme is currently undertaking a Common Data cleanse with the actuary to prepare for the 2019 triennial valuation. Initial review of this data cleansing has been positive.</p> <p>We compared the key financial and demographic assumptions used by the actuary to an acceptable range provided by a consulting actuary commissioned for local public auditors by the National Audit Office. The assumptions and methodology used by the actuary are appropriate, and will result in an estimate of the pension liability which falls within a reasonable range.</p> <p>The Council obtained an updated valuation of the liability to take account of the McCloud age discrimination ruling that would increase the Council's liability by £1.8 million.</p> <p>The actuary confirmed that the liabilities has made no allowance for GMP equalisation costs. We have estimated that this could increase liabilities by £3.8 million for the Council.</p> <p>We identified that the estimated return on scheme assets in the pension fund had been understated and the Council's share of scheme assets would increase by £5.4 million.</p> <p>The McCloud, GMP and scheme assets audit differences have not been corrected by management.</p>

# USE OF RESOURCES

## Audit Risks

### Audit conclusion on use of resources

We issued an unmodified conclusion on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources. This means that we consider that in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We set out below the risks that had the greatest effect on our audit strategy.

Risk description	How the risk was addressed by our audit	Results
Sustainable finances	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none"> <li>Reviewed the assumptions used in the Medium Term Financial Strategy and assess the reasonableness of the cost pressures and the amount of Government grant reductions applied;</li> <li>Monitored the delivery of the budgeted savings in 2018/19 and the plans to reduce services costs and increase income from 2019/20; and</li> <li>Review the strategies to close the budget gap after 2019/20.</li> </ul>	<p>The MTFs shows a budget gap of £65 million over the period 2019 to 2024. The Council is working on a Priorities and Spending Review project to identify how to strategically respond to this significant challenge. The reduced use of reserves is in keeping with the Council's overarching financial strategy of eradicating the use of one-off funding to balance the budget. Over the course of the MTFs the available revenue reserves are expected to reduce to £29 million with non ring-fenced revenue reserves reducing to £21 million in 2023/24.</p> <p>The net budget overspend in 2018/19 of £0.8 million was after the a contribution to reserves of £1.3 million. This is a significant improvement on previous years financial performance. The Council delivered 91.2% of the planned saving in 2018/19 compared to 88.4% in the prior year.</p> <p>There has been improvements in managing resources and finances although more still needs to be done. The use of reserves to fund budget gaps has reduced and it is important that reserves are protected and not be seen as the fall back option for overspends and budget pressures.</p> <p>We are satisfied that the Council has a good understanding of the budget requirement in the coming years, has arrangements in place to identify and manage the delivery of required savings.</p>

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## USE OF RESOURCES

### Audit Risks

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Risk description	How the risk was addressed by our audit	Results
Children's services	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none"><li>• Reviewed the Ofsted monitoring reports issued through the year to determine the direction of travel of the services;</li><li>• Monitored progress against the Family Services Improvement action plan through the Internal Audit work;</li><li>• Reviewed the minutes of the Children, Education, Libraries and Safeguarding (CELS) Committee; and</li><li>• Held meetings with key individuals to discuss the direction of travel of the services.</li></ul>	<p>Our review of the monitoring reports throughout the year indicated a positive direction of travel and the full inspection carried out in May 2019 concluded that Children's service are rated as 'Good'.</p> <p>The Ofsted 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. Carers also provide stable homes and are supportive and ambitious for the children in their care.</p> <p>We were able to remove our qualification on the previous use of resources conclusion referring to the weaknesses reported by Ofsted in Children's services.</p>

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# REPORTS ISSUED AND FEES

## Fees summary

	2018/19 Final £	2018/19 Planned £	2017/18 Final £
<b>Proposed audit fee</b>			
• Council and Group	(1) 168,741	130,919	(2) 197,262
• Pension Fund	(1) 35,978	21,170	(2) 43,810
<b>Total audit fees</b>	TBC	152,089	241,072
<b>Non-audit assurance services:</b>			
Fees for reporting on government grants:			
• Housing benefits subsidy claim	In progress	19,000	(3) 27,410
• Pooling of housing capital receipts return	In progress	2,750	(3) 4,771
• Teachers' pensions return	In progress	5,000	(3) 9,556
<b>Fees for other non-audit services</b>	In progress	26,750	41,737

## Communication

Reports	Addressed to Audit Committee	Addressed to Pension Committee
Audit plan	21 January 2019	11 February 2019
Audit completion report	Initial 10 July 2019 Final 27 September 2019	Initial 26 July 2019 Final 28 August 2019

(1) Additional audit costs have been incurred due to issues with HRA dwelling valuations, pension liabilities and resolving other misstatements included in this report. We have incurred additional costs of £37,822 on the Council and Group audit and £14,808 on the pension fund audit at PSAA contract rates.

(2) The planned Code audit fee for 2017/18 was £170,025 for the Council and £21,000 for the pension fund. Additional fees were agreed with management to resolve audit issues in that year.

(3) Additional work on grants and returns was required in 2017/18:

- DWP request to quantify the potential errors in Rent Officer Determinations in 2017/18.
- Pooled housing receipts technical clearance over transfer of 1-4-1 retained receipts to a controlled entity.
- Inadequate returns from schools with their own payroll providers and errors in the form.



FOR MORE INFORMATION:

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

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

Subject	Decision requested	Report Of	Contributing Officer(s)
<b>30 January 2020</b>			
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
<b>29 April 2020</b>			
Internal Audit Exception Recommendations and Progress Report Q4 1st January – 31st March 2020	To note the progress against internal audit recommendations and work Completed to date on the Internal Audit Annual Plan 2019 -20 and high priority recommendations.	Head of Internal Audit	
Corporate Anti-Fraud Team (CAFT) Annual Report 2019-2020	To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 2019-2020	Director of Assurance	Head of Counter Fraud Operations
Internal Audit and Anti-Fraud Strategy and Annual Plan 2020-21	To approve the 2020/21 Internal Audit and Corporate Anti-Fraud Team plan	Director of Assurance Head of Internal Audit	Head of Counter Fraud Operations

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

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