



Audit Committee

22 November 2018

Title	Report of the Chief Executive
Report of	Chief Executive
Wards	All
Status	Public
Urgent	None
Key	Yes
Enclosures	Appendix 1a – Review of Financial Management CPO Fraud (FINAL)180918 for issue Appendix 1b – Annex 1 to Review of Financial Management CPO Fraud (FINAL)180818 for issue Appendix 1c – Appendix E to Annex 1 to Review of Financial Management CPO Fraud - Redacted Appendix 1d - Annex 2 - Review of Financial Management Relating to CPO Fraud - Redacted Appendix 2 – Grant Thornton action plan status tracker
Officer Contact Details	John Hooton, Chief Executive john.hooton@barnet.gov.uk 020 8359 2460

Summary

This report provides an update to the Audit Committee against the key priorities set out by the Chief Executive in July:

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

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

Officers Recommendations

- 1. That the Audit Committee notes progress against the Chief Executive priorities as set out above;**
- 2. That the Audit Committee notes the progress that has been made towards the completion of the GT Action Plan; and**
- 3. That the Audit Committee notes that relevant follow ups to Internal Audit Reviews will be reported to the Committee as part of Q3 and Q4 Internal Audit Progress Reports**

1. WHY THIS REPORT IS NEEDED

Context

- 1.1 In July 2018, the Audit Committee received a report setting out the challenges facing the Council and the priorities that senior officers were focusing on to meet these challenges. This report provides an update.
- 1.2 The challenges that Councils face in terms of reducing funding from government, along with growing demand for services have led to unprecedented pressure on budgets, and challenges in terms of effective service delivery. The Council's approach has been to plan ahead for these challenges, setting out a financial strategy based around growth in income from development, driving efficiency, and managing demand across high cost services.
- 1.3 This approach has been successful over recent years, with back office costs significantly reduced, costs of office accommodation reduced, significant growth in the Council Tax base through growth and development, while efforts to promote independence across social care services has, for example, seen a reduction in the numbers of people in residential settings, with increased numbers of people enabled to be independent.
- 1.4 However, this approach needs to be enhanced for the future. The Annual Governance Statement and Head of Internal Audit Opinion highlight a number of weaknesses that are being addressed. They include the Ofsted inspection into Children's Services in Barnet, strengthening financial controls, and providing greater clarity around roles, responsibilities and accountability between commissioning and delivery functions. Alongside this, the current medium term financial strategy for the period 2015-20 is coming to a conclusion and is being reset for the years ahead.

The Council's Response

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

Children's Services Improvement

- 1.6 An inspection into Children's Services in Barnet published in July 2017 found services to be inadequate. This was known to senior managers in the Council following the Director of Children's Services appointment and his work on highlighting the poor quality of services for children in the borough. However, insufficient improvement had taken place by the time the inspection took place.
- 1.7 An independently chaired improvement board is in place to drive improvement across services for children and this board is attended by Members, officers and partner organisations (health, police, schools). Ofsted have undertaken four monitoring visits since the original inspection and have found that the pace of improvement is of a satisfactory level. The Children and Education Committee are receiving regular update reports into improvement and the quality of service delivery.
- 1.8 Since the last Audit Committee, Ofsted have undertaken a further monitoring visit, on 31st July and 1st August, looking at Children in Care. Feedback from this visit has been provided to the Children's, Education and Safeguarding Committee. Broadly, this visit demonstrated continued progress in improving services for children. Inspectors noted a consistent and strong focus on improving services and the quality of social work practice, and a stabilising workforce. The report also noted children seen to be appropriately looked after, and their needs for permanence and stability being mostly met.
- 1.9 The Council continues to invest in and prioritise improvement to Children's Services. A further two monitoring visits will take place in late November and February, and the focus continues to ensure that we meet the outcome of being rated at least "requires improvement" in 2019 and "good" by 2020.

Financial Control and Risk of Fraud

- 1.10 Over the last 10 months, the Council, in close collaboration with CSG and RE, has undertaken significant activity to strengthen the financial control environment following the discovery of a significant fraud in December 2017. Grant Thornton were commissioned to carry out a detailed independent review of financial controls. An update on this report, and the implementation of the actions within the report, are included in the Grant Thornton section of this report.
- 1.11 This work has led to an improvement in the robustness of the financial control environment, as a result of strengthened processes within CSG finance and also greater oversight, review and sign off by senior officers in the Council. However, more work still needs to be done to ensure that all GT recommendations are fully embedded. Updates on progress will continue to be provided to the Audit Committee at future meetings.

1.12 Council officers and contractors have also been focusing on closing off outstanding audit recommendations over the last quarter, and an update on progress is set out in the Internal Audit Q2 progress report. The required outcome of this work remains to ensure tightened financial control environment and reasonable or substantial assurance on the overall control environment for 2018/19.

Review of CSG and Re Contracts

1.13 A report was agreed by Policy and Resources Committee on 19 July which proposed a review of the CSG and Re contracts, with the option of bringing a number of services in house, while continuing with and building on the success of a number of other services within the contracts. A report will go to Policy and Resources Committee in December 2018 which updates on this process. The Council is looking at reviewing these services on a phased basis, with early consideration of Finance and Strategic HR in December, and decisions on other services following soon after that.

1.14 The contracts have delivered significant financial savings since their commencement in 2013, as well as efficiencies and improvements across a range of services. However, there are other services where performance improvement is needed. In relation to the Customer Support Group contract, these have included issues with financial controls and reporting, pensions administration, estates and user satisfaction with back office services.

1.15 In relation to the Re contract, issues have been raised on financial controls and the operation of the Highways service. A number of these performance concerns were also highlighted in the contract reviews that were carried out in 2016 and 2017 of the CSG and Re contracts respectively.

1.16 This review enables the Council to address a number of issues raised within the Annual Governance Statement and Head of Internal Audit Opinion. For example, data quality arrangements across many Council services are strong. However, there are a number of weaknesses highlighted in areas such as human resources. Bringing the strategic HR function into the Council would enable the strong data quality and information management arrangements that exist in many services to be extended to HR.

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

1.18 The services under consideration for bringing into the Council are as follows:

- Finance
- Strategic HR
- Highways
- Regeneration
- Estates
- Health and Safety
- Insight
- Strategic Planning
- Economic Development
- Cemetery and Crematorium

The required outcome of this work remains a progressive renegotiation of the CSG and RE contracts that can be implemented during 2019/20.

Budgetary Control and Financial Planning

- 1.19 The Chief Executive and Chief Finance Officer (CFO) are strengthening budgetary control arrangements across the organisation, and all senior officers are engaged in work to ensure the Council's budget is balanced in 2018/19 and that the Medium Term Financial Strategy (MTFS) is reset during the year.
- 1.20 Monthly budget forecasting has always existed across the Council, but much greater scrutiny is being applied to this process. This is reviewed regularly by the Chief Officers and Members. All service areas have recovery plans in place to ensure that the Council can balance its budget for 2018/19 and these plans are being reviewed twice a month by senior Council officers. Progress on these is being reported regularly to the Financial Performance and Contracts Committee throughout the year. In addition, the Committee is receiving a CFO report on the financial health of the organisation on a quarterly basis. The latest monitoring position (period 6) shows a forecast overspend of £2m. This demonstrates progress against the projected overspend of £9.5m as reported to Policy and Resources Committee in May, however, it also demonstrates that further work is needed to ensure a balanced position is delivered by year end.
- 1.21 Committee Chairs and Chief Officers are also developing medium term financial plans for the period 2019-24. These plans are being reviewed by Committees in November, and a draft 5 year budget will be considered by Policy and Resources Committee in December before plans are finalised in the New Year. The overall projected budget gap by 2024 is £68m, which factors in inflation, expected demand pressures and projected income. This gap is before savings measures which will be considered by theme committees over the coming weeks.
- 1.22 Capital budget monitoring remains an area of weakness as highlighted elsewhere in this report in terms of recommendations still to be implemented. However, the capital programme has been subject to a detailed review to ensure that the whole programme is affordable in the context of a challenging financial position.
- 1.23 Control of agency and recruitment spend is being controlled at a Chief Officer level across the Council. An agency and recruitment panel has been in place since May 2018 to review all existing agency assignments and approve all new agency and recruitment requests. The total number of agency assignments across the Council has reduced from 350 in April and May, down to 262 at the end of October.
- 1.24 Ensuring that the Council's reserves position is sustainable remains a key priority. The month 6 position shows total non-ringfenced revenue reserves reducing from £42m to £38m which is a significant improvement on previous projections. Capital reserves (community infrastructure levy) have been substantially applied to the capital programme, and these balances are projected to reduce from £23m to £3m. This reserve will be refreshed with new CIL contributions in 2019/20 and future years. Ringfenced reserves (schools balances, public health funding, parking account) are showing a projected reduction from £11m to £6m.

Required outcomes for this work are a balanced budget for 2018/19, a sustainable and affordable capital programme and a sustainable reserves position.

Council Management Structure

- 1.25 A review of the Council's senior management structure has been initiated. This will take into account the proposed changes to the Capita contracts and address matters in respect of roles, responsibilities and accountabilities. It will also deliver an overall saving to support the Council's financial position. This review will be subject to consultation with senior managers across the Council in November, prior to consideration by Constitution and General Purposes Committee in January 2019. Implementation will be from April 2019.

Governance Review

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

Changes to Committee Governance

- 1.28 Changes to committee governance were proposed to enable committees to have sufficient focus on quality and outcomes (service performance) as well strategy and commissioning. Since the Local Election in May 2018 several changes to committee governance have taken place:
- Responsibility for libraries moved from the terms of reference of the Children, Education & Safeguarding Committee to the Community, Leadership & Libraries Committee to narrow the scope of the children's committee to focus on performance improvement.
 - The Performance & Contract Management Committee was replaced with a Financial Performance & Contracts Committee.
 - Delivery Unit performance is now reported to the relevant theme committees – Quarter 1 2018/19 performance information was reported to committees in June and July 2018.
 - Financial monitoring information, plus the performance of the council's major strategic contracts are reported to the Financial Performance & Contracts Committee.
 - Policy & Resources Committee receive a strategic overview of performance focusing on financial and staffing information, as well as corporate plan key performance indicators and risks.

Changes to Non-Committee Governance

1.29 Changes to non-committee governance were proposed to enable Members to have greater oversight of council strategy and delivery outside of formal meetings. The following governance is in place:

- A regular Leaders Briefing (involving the Leader, committee chairmen and senior officers), supported by the Governance Service, which receives regular reports on the Children's Service Improvement Plan, budget, performance and key issues being reported to theme committees;
- Ensuring consistency of format in terms of committee chair briefings to ensure oversight and accountability for the overall policy and strategic approach;
- A budget review monthly informal meeting with the Leader, Chairman of the Financial Performance & Contracts Committee, Chief Executive, Deputy Chief Executive and Director of Finance (Section 151 Officer);
- A quarterly review of performance informal meeting with the Leader, Deputy Leader, Chairman of the Financial Performance & Contracts Committee, Chief Executive, Deputy Chief Executive and Director of Finance (Section 151 Officer); and
- It is also proposed that a quarterly Safeguarding Summit is scheduled to bring together the Director for Children's Services and Director for Adult Social Services performance reports for the Leader, Chief Executive, relevant chief officers and the Statutory Lead Members to focus on safeguarding and performance improvements. This will be implemented in quarter 4.

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

1.30 As part of the Children's Improvement Action Plan, there is a focus on ensuring that the voice of children is heard in service planning and an improvement in young people's participation in decision-making. This includes:

- Implementing the UNICEF Child Rights Programme;
- Developing a challenge practice culture where children's voices are heard and influence decisions being made about them;
- Ensuring that the Voice of the Child is being fed back to the Local Safeguarding Children's Board;
- Delivering a Barnet Service User Engagement Strategy which will include satisfaction feedback, evaluation of Child Protection Conferences and Looked After Children Reviews, learning from complaints, and capturing the voice of the child in assessments.

1.31 A wide range of activities have been undertaken in relation to Family Services Governance to increase the involvement and representation of Children and Young People in decision making. The changes being made seek to ensure that our Council Committees have direct access for young people to propose initiatives, and also that as a

matter of course, our youth parliament, Children in Care Council, and other key forums are consulted on decisions affecting young people going to Committees.

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

Partnership Governance Arrangements

- 1.34 The Governance Service have initiated a review of the Barnet Partnership Board (Local Strategic Partnership), Health & Well-being Board and Safer Communities Partnership Board. Officers are currently collating information on practice in other local authorities. Any revised arrangements will need to be agreed by the Constitution & General Purposes Committee and Full Council.
- 1.35 Arrangements for the Children's Partnership Board have been comprehensively reviewed, with revised terms of reference adopted by Full Council in July 2018 and with enhanced support arrangements in place. The Board is charged with ensuring that children, young people and families have a voice in decision-making that affects them.
- 1.36 Further work will be undertaken in quarters 3 and 4 to look at the Health and Well-being Board, the Safer Communities Partnership Board, the Children's Partnership Board and other officer partnership arrangements.

Grant Thornton report

- 1.37 The July 2018 Audit Committee report noted that the Corporate Anti-Fraud team (CAFT) had received a referral in December 2017 alleging that a substantial sum of money had been paid into an account belonging to a Re employee. A criminal prosecution followed a criminal and financial investigation by CAFT and a by then former Re employee, pleaded guilty to two separate charges of 'Fraud by Abuse of Position' and received a custodial prison sentence. The frauds consisted of 62 fraudulent transactions from July 2016 to December 2017, totalling £2,063,972. Capita has confirmed it has underwritten the loss from the fraud to the Council.
- 1.38 The Council took immediate action to tighten financial controls and then appointed Grant Thornton UK LLP (GT) in January 2018 to carry out an independent investigation to identify the precise control weaknesses that led to the individual being able to carry out these fraudulent activities over a sustained period.
- 1.39 The report, called Review of Financial Management Relating to CPO Fraud Finding and lessons learned (CPO stands for Compulsory Purchase Orders) dated 18th September has been published. The report is attached in Appendix 1.

- 1.40 The report is substantial, with a summary report of 35 pages with 32 recommendations in the form of action plans, set out over two appendices, along with two detailed annexes. Ten of the recommendations are rated High, with the others having a Medium status. The first annex, 61 pages long, gives further detail into the fraud and the second annex, 36 pages, is a GT Contractual review of the financial management of regeneration projects which identifies potential contractual breaches that may have occurred in the Capita contract.
- 1.41 Whilst some information in Annex 2 has been redacted for commercial reasons and some personal information has been redacted from Appendix E, the report is both independent and detailed.
- 1.42 The report identifies the following:
- Issues with a lack of control in Re and in the outsourced finance function; and
 - Insufficient oversight from the Council
- 29 of the 32 recommendations refer to actions that needed to be undertaken within Re and Customer Support Group (CSG), with 2 actions owned by the Council and 1 action owned by the Council, Re and CSG.
- 1.43 The Council worked with Capita (CSG and Re) to ensure that immediate actions were taken to increase financial controls through revised procedures and processes, which included increased controls of payments and revised schemes of delegation. Subsequently, the focus switched to working with Capita to deliver the actions to meet the recommendations of the independent GT report as soon as these became available in draft form.

Once the Council, GT and Capita agreed the actions that needed to take place, it was agreed that where these actions were taken, GT as well as the Council would assess based on evidence whether sufficient action had been taken to meet the recommendation. These actions consisted of 16 new or revised fully documented processes and procedures and other supporting evidence, such as a new Business Partner Handbook. The Council and Capita (CSG and Re) have worked closely together with GT to ensure that actions were taken as swiftly as possible to address these recommendations; a significant amount of work has been carried out towards making the step change that was required. Of the 32 recommendations, all but 1 has been verified by GT; that 1 action, GT32, needs some additional work before it can be fully verified.

- 1.44 It was agreed that once these actions had been independently verified by GT, that the status of the action would not as usual be marked as complete, but merely verified, until Internal Audit carried out testing to ensure that the actions were embedded. Verification by GT means that for example, each new process such as the process for reclaiming costs of a Compulsory Purchase Order, was drafted by Capita, then GT reviewed the new draft processes in detail and provided additional feedback for action, as part of an extended dialogue with Capita and the Council, in order to ensure that the new processes effectively addressed the risks identified in the report and were fit for purpose. Internal Audit are testing 27 of the 32 actions, as the other 5 actions did not need to be tested for embeddedness after they had been verified by GT, such as GT12, which related to a reconciliation that has been carried out.

1.45 There are eight separate Internal Audit (IA) reviews taking place (see section 1.47), which incorporate all the testing required by Internal Audit to confirm the GT actions are implemented and embedded as well as other testing relevant to the area under review. These IA Reviews will have follow up reviews, as is standard practice. Internal Audit have applied a RAG rating to the status of the testing of the GT actions as follows:

Table 1 – RAG rating

Green		Tested and considered implemented / embedded
Green	Amber	Tested and considered implemented, but due to there being a small number of transactions to test requires further testing to verify ongoing operating effectiveness in Q4
Amber		Tested and progress made but some exceptions noted and not considered embedded. Further testing planned in Q4*
Red		Tested, no progress made
Blue		Internal Audit testing not yet complete for one of the following reasons: <ul style="list-style-type: none"> 1. It has not yet been possible to test the operating effectiveness of this control, as the control design was only recently verified by GT (4 actions) 2. It has not been possible to test the operating effectiveness of this control, as it has not occurred in the testing period (1 action) 3. Internal Audit work is ongoing, verbal update to be given to Audit Committee (1 action)

* Note that for the Capital Budget monitoring actions, these are considered Green for Regeneration (excluding Brent Cross which is managed outside of the core Regeneration team) and Blue for within other Delivery Units as the Capital Budget monitoring process has been rolled out to them in November. Therefore, rated as Amber overall.

1.46 The current status of the IA testing is as follows:

Table 2 – Current Status

Rating		Number of Actions
Green		11
Green	Amber	5
Amber		5
Red		0
Blue		6
Total being tested by IA		27

Further commentary on the status of each action can be found within Appendix 2.

- 1.47 Alongside the internal audit work to confirm implementation of the GT actions, IA have been undertaking a number of associated audit reviews to which the GT actions formed part of the scope:

Table 3 – IA reviews

Review title	Status
1. General Ledger	Final Report
2. Integra Access and Program Change Management	Draft Report
3. CILS & S106 Follow-Up	Fieldwork
4. Private Treaty Agreements	Fieldwork
5. Re Operational Review Follow-Up	Fieldwork
6. Follow-Up of CFO's Internal Controls Review	Fieldwork
7. Banking & Payment Arrangements	Fieldwork
8. Payments Data Analytics and Matching Exercises	Fieldwork

- 1.48 At the July Audit Committee we were asked to provide assurance that no other frauds of a similar nature had occurred. At that time Internal Audit had planned to undertake reviews 1-7 above, including testing 100% of relevant CHAPS transactions under the Banking & Payments Arrangements audit. To provide further assurance Internal Audit & CAFT subsequently decided to undertake a Data Analytics review to support the Banking & Payment Arrangements audit. To date the fieldwork undertaken across all reviews has not identified any further frauds.

The Data Analytics review covers the following:

- Analysis of payments transactional data (Integra to Bankline)
- Analysis of vendor master data
- Matching of payroll to vendor data
- Analysis of 'one-time' vendor transactional data

The results of the analysis will enable Internal Audit to effectively target their sample testing within the Banking & Payment Arrangements audit. Although it is never possible to provide 100% assurance that a fraud has not been committed this additional analysis will serve to provide the Committee with further reassurance. To date the fieldwork undertaken has not identified any further frauds. A summary of the progress to date on the data analysis is below.

1. Analysis of vendor master data

The vendor master data has been received and Internal Audit have been able to distil a list of potential high risk changes for follow up review. Tests have provided insight into amendments to vendor bank account details, multiple vendors sharing a common bank account and have identified where bank account details from vendors match those of Barnet employees. The Council has requested employee bank account details from Capita to complete its analysis. Owing to the Data Protection and GDPR obligations on both parties, the Data Protection Officers for both organisations are in discussion regarding the reasonable options to provide assurance that can be delivered within the

current regulatory/legal framework. The team is currently investigating the items flagged up on these tests and the outcome of this testing will form part of the Banking and Payment Arrangements audit report to be reported to the January Audit Committee.

2. Analysis of payments transactional data (regular and one-time vendors)

Internal Audit received the bank transactions from Bankline (the online banking service) for the period June 2017 until September 2018. For the period under review there are 22,520 payments processed using 12 different payment methods.

As the bank transactions alone don't provide all the information required for the planned analyses, additional data needs to be added from Integra. All required information is captured in the 'Payment Audit' files within Integra but currently these reports are not stored automatically and are deleted on a monthly basis as part of system housekeeping to avoid latency and slowness in using Integra (which has been a problem in the past). This has now been amended and these specific reports will be kept on an ongoing basis.

Therefore, Internal Audit need to make use of the daily bank account reports that can be manually extracted from Integra per payment type. CSG are providing internal audit with the 'Payment Audit' files for September and October so that data analysis for those two months can be completed. Internal Audit are expecting to receive these reports during November. This will enable analysis of these months and also will facilitate setting up the 'script' that is needed for this analysis to be run in the future.

For the retrospective testing (June 2017 – August 2018) that was planned as part of the review, as a proof of concept Internal Audit have been able to successfully reconcile the daily bank account report for a BACS payment run for 1 day from Integra to the Bankline data for the main Payments account. However, to run the reports from Integra for the complete period would be a manual extraction of every payment type for every day for the 31 bank accounts in scope; this would be a significant effort and would take a large amount of officer time. Therefore, CSG have been exploring with the Integra Technical Team the possibility of creating a new report that could cover a date range rather than needing a separate report for each day. It has now been confirmed that this is possible and the report is in development for a sample month that has been selected (April 2018). Internal Audit are expecting to receive this report during November. Once the data for the sample month of April 2018 has been successfully reconciled to the Bankline data for the same period the report will be run for the other months within the testing period (June 2017 – August 2018) and a complete reconciliation will be carried out to provide assurance that all payments from the Council's bank accounts have been reflected within Integra.

The outcome of the above reviews will be reported to the January meeting of the Audit Committee.

- 1.49 The GT report set out a series of recommendations that needed to be acted upon to ensure that the Council's control environment was strengthened. This update report shows that convincing steps have been made towards the outcome that was set in July 2018, whilst some more steps need to be taken. The status of the internal financial control reports will be reported at the next Audit Committee.

2. REASONS FOR RECOMMENDATIONS

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

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

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

4. POST DECISION IMPLEMENTATION

4.1 Chief officers will priorities these actions and ensure that the outcomes are achieved within the time scales set out.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

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

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

5.2.1 In respect of the response to the fraud, there is an additional cost associated with the work being undertaken by the CFO and by Grant Thornton, these are being met by Capita.

5.2.2 Family Services have received the following additional funding over the last 3 years:

	2016/17	2017/18	2018/19
Additional Funding excluding pay, non pay etc	3,347,500	5,430,000	2,453,000

5.2.3 The current core management fee budgets for CSG and Re are as per below:

CSG: £30.034m

RE: £17.300m

The anticipated savings for the remaining elements of the contract based on the financial models are as per below:

CSG: £75.4m (Contract years 6-10)

RE: £25.5m (till the end of the contract)

5.3 Social Value

5.3.1 There is no specific social value impact in the context of this report.

5.4 Legal and Constitutional References

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

5.5 Risk Management

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

5.6 Equalities and Diversity

5.6.1 The 2010 Equality Act Outlines the provisions of the Public Sector Equalities Duty which requires that Public Bodies to have due regard to the need to;

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

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

5.7 Corporate Parenting

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

5.8 Consultation and Engagement

5.8.1 Not applicable in the context of this report.

5.9 Insight

5.9.1 Not applicable in the context of this report.

6. BACKGROUND PAPERS

6.1 Audit Committee, 17 July 2018, Report of the Chief Executive - <https://barnetintranet.moderngov.co.uk/documents/s47427/Report%20of%20the%20Chief%20Executive.pdf>