



Report on the Audit scrutiny of the following One Barnet Projects:

- New Support Customers Services Organisation (NSCSO)
- Development & Regulatory Services (DRS)

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2012

1 Executive Summary

The One Barnet Programme (OBP) is the single most important change Barnet Council has undertaken since its creation in April 1965. It is also the biggest privatisation exercise any local government has ever undertaken nationally and will be the biggest political decision that elected members will have made to date. To understand the scale the two One Barnet NSCSO and DRS contracts are worth up to £1Billion.

Our report shows that there has been a lack of robust and effective audit scrutiny of NSCSO and DRS Projects. Further there has been no independent validation of the deliverability of savings predicted in the Business cases for both projects. One of the internal audit reports identified the following:

“Currently there are three major procurements running according to schedule as planned in the programme. (These were not audited as part of this review).”

The One Barnet Risk Register has never been presented to the Audit Committee to enable members to be kept fully briefed on key relevant audit issues.

UNISON believes the Audit Committee has not been able to carry out its role and responsibilities in terms of the NSCSO and DRS projects. Therefore, the Cabinet should **not make any decisions to award any contracts** until there has been effective audit scrutiny of both projects.

2 Background

The One Barnet Programme (OBP) is the single most important change Barnet Council has undertaken since its creation in April 1965. It is also the biggest privatisation exercise any local government has ever undertaken nationally and will be the biggest political decision that elected members will have made to date.

This report is specifically concerned with the two One Barnet Projects, New Support Customers Services Organisation (NSCSO) and Development & Regulatory Services (DRS), which at a recent Business Management Overview & Scrutiny Committee (Wednesday 24th October 2012) were confirmed as worth in up to £1Billion.

In order for elected members to be able to make decisions they need to be fully informed and it would therefore be reasonable to assume that the two biggest One Barnet Projects worth in excess of a £1Billion would have gone through robust and effective audit scrutiny. It is of great concern that the decision to award two contracts worth up to £1billion are about to be made without any robust and effective audit scrutiny of the NSCSO and DRS Projects.

3 Audit Committee Role and Responsibility

UNISON believes that the Audit Committee needs to be satisfied that there are sound processes in place to deal with critical risks associated with large projects such as NSCSO and DRS. The responsibilities of the Audit Committee are highlighted in the Annual Review of Audit Committee's Effectiveness dated 24th March 2011 (see [link](#)).

Under Structure and Role it states that:

- The Audit Committee has a particular role to play in **understanding and reviewing the work of Internal Audit, the work of External Audit,** and financial reporting.
- The focus of audit committees should be **overseeing financial processes, audit and risk management.**

Under Membership it states that:

- The Audit Committee must be independent and non-political. Each member should **understand** the Council's strategy and objectives to **suitably contextualise their work.**
- The **Chair of the Audit Committee is responsible** for Audit Committee **effectiveness,** and **members should** collectively have the necessary **business, reporting, auditing and governance skills** to fulfil their responsibilities. At least one member should have significant, recent and relevant financial experience.

Under Meetings it states that:

- Meetings should be held often enough to consider the **annual work programme of the Audit Committee** and **time should be allocated to agenda items according the level of risk and importance** to the Committee.

4 Audit Scrutiny

UNISON believes the AC has **not** been able to carry out its role and responsibilities in terms of the **NSCSO and DRS** projects.

External Audit

UNISON has examined all the Audit Committee reports since September 2010. In September 2012 External Audit provided a report to Audit Committee, which looked at governance & risk management. This report was reported in the national Press in September [2010](#).

The agenda papers of the AC's meetings for the period **21/09/2010** to **08/12/2011** show very little **external auditor's** reporting on OBP, see the details below:

- AC meeting 21/09/2010 – Reports the outcome of 2009/10 work on OBP Governance and Risk Management and recommendations.
- AC meeting 07/12/2010 – update on external auditor's recommendations on OBP Governance and Risk Management.
- AC meeting 17/02/2011 – **no update** to AC or request for OBP work from the AC.
- AC meeting 24/03/2011 – **no update** to AC or request for OBP work from the AC.
- AC meeting 16/06/2011 – **no update** to AC or any request for OBP work from the AC.
- AC meeting 06/09/2011 – **no update** to AC or any request for OBP work from the AC.
- AC meeting 08/12/2011 – the external auditor's Annual Audit Letter dated 20/10/2011 refers to the **follow up** of the 2009/10 and report **no material issues** relating to the recommendations on OBP Governance and Risk Management. **No request** for **assurance** from the AC on other aspects of the OBP.

Apart from the report of the External Auditor, submitted to the 21 September 2010 Audit Committee, which specifically only looked at governance & risk management there has been **no** effective scrutiny of NSCSO or DRS projects by the Audit Committee, Internal Auditor and External Auditor other than minor reference to procurement phase NSCSO or DRS projects at the 13 September 2012 Audit Committee.

Internal Audit and Internal Reviews

In August 2012, after a number of requests from UNISON, the Council finally released three reports which members can read in the appendices attached to this report.

One critical factor emerging on reading these reports is the statement below:

“Currently there are **three major procurements** running according to schedule as planned in the programme. (These **were not** audited as part of this review).”

(One Barnet Programme – Scope & Change Control, Governance and Dependencies December 2011)

Over the past two years UNISON has attended Audit Committee meetings when **valuable audit scrutiny time** has been devoted to school audits where the Council has little or no control over those schools. It is therefore difficult to understand why there has been so little audit scrutiny of the biggest contracts to be procured in London local government. It represents a £1Billion of public money.

UNISON believes that under the Terms of Reference (ToR) of the Audit Committee the AC should have recognised **not only** the enormity of the OBP but also the **exposure to associated risks** resulting from such a programme. As such, the AC should have been advised of the need to agree to a **comprehensive audit** work programme that would identify **specific in depth and comprehensive audit work** relating to different aspects of the OBP and at least **quarterly reporting** arrangements to provide **appropriate assurance** to members of the AC.

The agenda papers of the AC's meetings for the period 21/09/2010 to 13/09/2012 show **no specific assurance** from the **internal auditor** on different aspects of OBP at **each of their meetings**.

There are **no** regular (each meeting) updates to the Audit Committee that focuses on reporting on all aspects of One Barnet audit reviews since the previous reporting, outstanding planned work, direction of travel on Council's preparedness for the programme, keys risks associated with OBP etc.

Further, some of the internal audit work done on aspects of OBP to our knowledge was **not** reported to the AC. The following **two audits on OBP** have not yet been reported to the AC.

- Report dated **December 2011** on **OBP – Scope & Change Control, Governance and Dependencies** (see attached [Appendix A](#)).
- Report dated **April 2012** on **OBP – Capacity & Capability Management, Change Management and Risk and Issues Management** (see attached [Appendix B](#)).

Further the AC has **not been briefed** on related reviews carried out on aspects of OBP, which should be within AC's watching brief, for example the following:

- Report dated December 2011 – Barnet Development & Regulatory Services Project Local Partnerships Health Check Review at Procurement Stage (see attached [Appendix C](#)).

The key issues emerging in the **December 2011** report on OBP – Scope & Change Control, Governance and Dependencies (despite Annual Audit Letter from the external auditor dated 20/10/2011 not identifying any material issues relating to the recommendations on OBP Governance and Risk Management) include:

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- On Programme Governance the terms of reference of the programme board **not** fully defined, agreed and communicated – including tolerance and approval.
 - On Programme Dependencies Management controls were **not** fully developed particularly around definition of dependencies and process to identify dependencies.
 - On Project Governance **inadequate** discipline around supporting papers necessary for decision making, **lack** of defined criteria with relevant quality for projects, **lack** of standardised process for project governance and lack of criteria and process for escalating issues.

The key issues emerging in the **April 2012** report on OBP – Capacity & Capability Management, Change Management and Risk and Issues Management include:

- On Change Management - benefit management controls **not** fully embedded, missing snagging process and absence of ‘warranty period’ to manage outstanding issues.
- On Issues Management – **lack** of formalised process for the management of issues.
- On Risk Management – **poor** knowledge, understanding and therefore **inconsistent** application of threshold for escalating risks and **poor control** over effective use of the corporate risk management tool.
- On Capacity and Capability – **poor** arrangements for ensuring appropriate skills matrix and resourcing plans.

One Barnet Risk Register (RR)

The One Barnet Risk Register became publicly available when it appeared on a Blog earlier this year. The Register was heavily redacted. Earlier this month an un-redacted version of the One Barnet Risk Register became publicly available.

UNISON has the following concerns:

- That this Register was **never presented** to any AC
- The missing numbering on the RR suggests that there are **risks omitted** from the Register
- The **‘rating’ scores** for risk are **not transparent** and appear to under estimate the gravity of the risk associated with projects of this size.

As these reports have not been brought to AC it is our view that **members** have **not** been kept **fully briefed** on key relevant audit issues in connection with OBP.

5 Best Practice

For projects of the size of NSCSO and DRS UNISON believes that the AC should have been advised of the critical importance of putting in place a robust and rigorous oversight throughout the lifetime of the NSCSO and DRS Projects.

For example Edinburgh Council were also carrying out a massive **transformational programme** similar to Barnet Council. The **Audit Scotland** report entitled '**City of Edinburgh Council – Review of Alternative Business Models Programme**' (see [Appendix D](#)) recognised the need for effective audit scrutiny. The report specifically identified detailed scrutiny of following areas:

- governance and risk management arrangements;
- budget for project and spend against it including consultancy costs;
- projected savings identified by the project;
- transition arrangements and contract management.

Furthermore the Audit Scotland report noted

“Areas within the remit for examination included the governance template, project management arrangements, project initiation, business case and timetable, the approval process, progress reporting and projected savings compared to first projections.”

And added

“The council’s internal audit team are also covering this project in the workplan for 2010/11 and we have discussed the scope of both pieces of work and adopted an integrated approach to ensure there is no duplication in coverage.”

The Edinburgh Audit Scotland report clearly **recognised the scale and size** of the projects and the **implications for the decision makers**.

This **enabled** local **councillors** to be able to properly and safely **consider the options** to outsource or award the in-house comparator

6 Conclusion

UNISON concludes that there has been inadequate audit scrutiny of both NSCSO and DRS Projects and therefore believes that Councillors have not been provided with enough assurance on the risks associated on the deliverability of savings of both projects.

7 Recommendation:

On Thursday 6 December 2012 and Thursday 31 January 2013 Cabinet Committee are going to consider two recommendations tabled by senior officers to award two contracts totally £1Billion to two contractors.

UNISON is concerned that the Audit Committee has been unable to provide assurance on the deliverability of the savings and mitigation of the associated risks of NSCSO and DRS projects. Consequently, the members of the Cabinet Committee are **not sufficiently informed** to take major decisions for the Council and safeguard the interests of Council Tax payers and service users.

Therefore, the Cabinet should **not make any decisions to award any contracts** until there has been effective audit scrutiny of both projects.

8 References to DRS and NSCSO at Audit Committee Meetings (2010- 12)

AC meeting 13/09/2012

Agenda Item 6 – Annual Governance Statement for 2011/12 on page 19 refers to Governance issues with OBP and links to DRS and NSCSO.

<http://barnet.moderngov.co.uk/documents/s5489/Appendix%20-%20Annual%20Governance%20Statement%202011-12.pdf>

Agenda Item 7 – External Auditor's ISA 260 Report on 2011/12 on page 19 refers to review of high level arrangements for various transformation projects in particular OBP phase 1 projects including of the procurement phase of DRS and NSCSO.

<http://barnet.moderngov.co.uk/documents/s5491/Appendix%20A%20-%20ISA%20260%20Report%202011-12.pdf>

AC meeting 21/06/2012

No mention of DRS or NSCSO

AC meeting 26/04/2012

Agenda Item 7 – Appendix A on Internal Audit Annual Plan 2012/13 identifies review of client side post implementation of projects including DRS

Agenda Item 9 – The Appendix on Exception Recommendations on page 9 refers to IT resilience on NSCSO.

AC meeting 08/12/2011

No mention of DRS or NSCSO

AC meeting 06/09/2011

Agenda Item 9 – Appendix A on the completed internal audit plan work for quarter 1 refers to satisfactory assurance on DRS project with no detailed commentary of the audit scope, strength and weaknesses identified.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201109061900/Agenda/Document%206.pdf>

AC meeting 16/06/2011

Agenda Item 7 – Internal Audit Annual Opinion on page 31 reports a couple of strengths and weaknesses identified on DRS project with no detailed overall commentary on the DRS project. No reference to NSCSO.

AC meeting 24/03/2011

No mention of DRS or NSCSO

AC meeting 17/02/2011

No mention of DRS or NSCSO

AC meeting 07/12/2010

Agenda Item 8 – One Barnet Update report from Director of Commercial Services but no reference to any audit work on DRS or NSCSO.

AC meeting 21/09/2010

Agenda Item 8 – Assistant Director of Commercial Services introduces the External Auditors report on One Barnet Review of Governance Arrangements.