



Audit Committee

16 July 2019

Title	Annual Internal Audit Opinion 2018-19
Report of	Head of Internal Audit
Wards	Not applicable
Status	Public
Urgent	No
Key	No
Enclosures	Annual Internal Audit Opinion 2018-19
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Summary

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

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

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

The four possible ratings that can be given are:

Finding rating

No assurance

Limited assurance

Reasonable assurance

Substantial assurance

In 2018-19 the annual opinion overall is:

Limited assurance

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

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

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

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

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

- Financial control and fraud risk

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

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

Recommendations

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

1. WHY THIS REPORT IS NEEDED

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

2. REASONS FOR RECOMMENDATIONS

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

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable

4. POST DECISION IMPLEMENTATION

- 4.1 Not applicable

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 All internal audit and risk management planned activity in 2018-19 was aligned with the Council's objectives set out in the Corporate Plan 2015-2020, and thus supported the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.
- 5.1.2 The Annual Internal Audit Opinion informs the Annual Governance Statement that is also presented to this Committee.

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

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

5.3 Social Value

5.3.1 Not applicable

5.4 Legal and Constitutional References

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

5.4.2 The Council's Constitution, Responsibilities for Functions - the Audit Committee terms of reference include "to consider the annual audit opinion".

5.5 Risk Management

5.5.1 All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council's objectives. Internal Audit does this by identifying areas for improvement and agreeing actions to address the weaknesses.

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

5.6 Equalities and Diversity

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

5.7 Corporate Parenting

5.7.1 Not applicable

5.8 Consultation and Engagement

5.8.1 Not applicable

5.9 Insight

5.9.1 Not applicable

6. BACKGROUND PAPERS

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

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