

**MEETING**

**AUDIT COMMITTEE**

**DATE AND TIME**

**WEDNESDAY 1ST MAY, 2019**

**AT 7.00 PM**

**VENUE**

**HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BG**

Dear Councillors,

Please find enclosed additional papers relating to the following items for the above mentioned meeting which were not available at the time of collation of the agenda.

Item No	Title of Report	Pages
5.	PUBLIC QUESTION AND COMMENTS (IF ANY)	3 - 10

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**AUDIT COMMITTEE**  
**Wednesday 1 May 2019**

**ITEM 5 – PUBLIC QUESTIONS AND COMMENTS**

**Note**

At the meeting a total of 30 minutes is available for public questions and comments. The questioner may ask one supplementary question at the meeting which will be answered without discussion. The supplementary question must be relevant to the original question put to the Chairman.

Comment (up to 3 minutes per comment)

Agenda Item No	Public Comment Request
<b>Item 8</b> - Internal Audit Exception Recommendations Report and Q4 Progress Report 1 <sup>st</sup> January to 31 <sup>st</sup> March 2019	John Dix

Qn No	Agenda Item No	Raised By	Question Raised	Answer

AGENDA ITEM 5

1.	<b>Item 7</b> - Improvements to financial controls; Progress report on the Grant Thornton recommendations and action plan	John Dix	The issue of removing leavers from Integra was highlighted as a risk a year ago yet we still do not have a timeline and details for the project that will make this happen. When will this risk be resolved and why has it taken so long?	<p>Pending final resolution, compensating controls have been put in place. Internal Audit have found these to be operating effectively so the risk is being properly managed.</p> <p>The process of removing leavers from Integra is part of a wider project looking at removing leavers from all Council systems in a timely fashion when they leave the organisation. Integra is complicated by being a system that both Council and Capita employees have access to. The process needs to be redesigned and this needs to involve HR, IT and finance. This work has coincided with the insourcing of Strategic HR and finance which has resulted in some changes in key personnel to take the project forward. The project has now agreed a deadline of August 2019 as being achievable.</p>
2.	<b>Item 7</b> - Improvements to financial controls; Progress report on the Grant Thornton recommendations and action plan	John Dix	Has GT Rec No 15 now been resolved and if yes does this mean that GT Rec No 16 is now also resolved?	<p>GT16 is complete. Internal Audit work has confirmed there are no issues to note.</p> <p>GT15 is ongoing. Interim measures have been put in place which are currently being audited.</p>
3.	<b>Item 7</b> - Improvements to financial controls; Progress report on the Grant Thornton recommendations and action plan	John Dix	Why has GT Rec No 21 still not been implemented, what is preventing the proposal from being implemented, what is the cost and what is the timescale for implementation?	The Council's ledger system, Integra, is currently not set up to handle multi-year budgets as required to monitor capital schemes. Work is currently underway to implement a change to the system. This will not cost the Council any money and is expected to be live during this financial year.

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4.	<b>Item 7</b> - Improvements to financial controls; Progress report on the Grant Thornton recommendations and action plan	John Dix	GT Rec No 20 seem to indicate that serious issues around budget monitoring have not still not been resolved. Agreed actions have been identified but without deadlines and read more like a wish list than an action plan. Why has this not been resolved sooner, will you identify clear responsibilities and deadlines for resolution and what are the risks on the monitoring of this year's capital budget?	Additional scrutiny to capital schemes was introduced during the last financial year through an internal officer working group. Additionally, a more detailed review of the capital outturn figures will take place during this financial year. These additional and ongoing controls manage the risk pending a full process review. Going forward, the Assistant Director of Finance will undertake the review of the capital budget monitoring process.
5.	<b>Item 8</b> - Internal Audit Exception Recommendations Report and Q4 Progress Report 1 <sup>st</sup> January to 31 <sup>st</sup> March 2019	John Dix	While actions for three of the five high risk issues have now been <i>implemented</i> does that mean that the problems are <i>resolved</i> . i.e. they will not happen again?	Yes - these actions mainly related to the implementation of additional controls which have now been put in place, and/or the provision of additional evidence requested by internal audit which has now been supplied and tested.
6.	<b>Item 8</b> - Internal Audit Exception Recommendations Report and Q4 Progress Report 1 <sup>st</sup> January to 31 <sup>st</sup> March 2019	John Dix	Why were these issues not picked up sooner rather than 5½ years after the contract started?	2 main reasons: 1) the implementation of a new payroll system in April 2018 led to some issues relating to the upload of schools' payroll data to the Integra system; and 2) the application of additional controls to supplement the existing control environment

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7.	<b>Item 8</b> - Internal Audit Exception Recommendations Report and Q4 Progress Report 1 <sup>st</sup> January to 31 <sup>st</sup> March 2019	John Dix	Risk 2 and 5, which have not been resolved, seem to point to systemic problems and bear a striking resemblance to some the risks highlighted by Grant Thornton is the fraud case, such as access and permissions and a failure to reconcile payments between different departments geographically dispersed. Given you keep discovering these similar problems, is there a fundamental flaw in the way these systems were set up in the first place, what are the risk that similar issues exist in other parts of the council, and to what extent does the geographical dispersal of departments exacerbate the problems?	<p>These risks relate to the operation by the schools of their payrolls and our interface with those systems.</p> <p>The Council does not believe there is a fundamental flaw in the setup of the systems. The Audit plan is specifically targeted to areas of business where assurance over risks is required and provides the mechanism on which to base an overall level of assurance.</p> <p>Geographical dispersal of back office functions has been around for the last 5 years. This is considered as part of the Council's contract monitoring arrangements and the risk assessment when formulating the Audit plan.</p>
8.	<b>Item 8</b> - Internal Audit Exception Recommendations Report and Q4 Progress Report 1 <sup>st</sup> January to 31 <sup>st</sup> March 2019	John Dix	There is no target date for risk 5 - BACS Reconciliation - to be resolved. Why not?	The target date was noted as TBC in the papers as audit work is ongoing. Further progress is expected by the Audit Committee date. If not completed, a revised target date will be stated in a verbal update at the Audit Committee.

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9.	Item 8 - Internal Audit Exception Recommendations Report and Q4 Progress Report 1 <sup>st</sup> January to 31 <sup>st</sup> March 2019	John Dix	Given that 12% of leavers in the sample had not been given their P45 what is the impact for the individual, such as incorrect tax code at their next employer and what actions are to be taken to ensure it does not happen in the future?	<p>The action that was agreed at the time of the audit was as follows:</p> <p>a. P45 certificates to be issued for the 3 exceptions identified and to be provided for all future leavers.</p> <p>b. A review to be undertaken to identify any other P45 certificates that have not been issued to Barnet leavers since 1 April 2018.</p> <p>The outcome of the review was that P45's were issued to the 3 individuals and no further instances were found. With the implementation of Real time information (RTI) at HMRC, this means there is no individual impact even if no P45 is issued. Additional process checks have been implemented to ensure no repeat.</p>
10.	Item 8 - Internal Audit Exception Recommendations Report and Q4 Progress Report 1 <sup>st</sup> January to 31 <sup>st</sup> March 2019	John Dix	Integra Access and Program Change Management had a target date of 31 January which has now slipped by 6 months to 31 August and the report notes that there has been only limited progress. I asked at the last meeting whether this problem would be resolved before Strategic HR was handed back from Capita to the Council. It is clear it hasn't and that now places more pressure on the new team. What is the financial cost of this failure and what additional staff and resources be required now to get the matter resolved?	HR are working on the necessary changes to the system to make this work.

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11.	<b>Item 8</b> - Internal Audit Exception Recommendations Report and Q4 Progress Report 1 <sup>st</sup> January to 31 <sup>st</sup> March 2019	John Dix	Why has the Bankline Access and Authorisation risk still not been resolved and what reassurance can be provided that it will be resolved by the revised target date of 31 May?	The review of Bankline access and controls for the Council's bank accounts is complete. The outstanding task is to ensure that all user access within all schools is approved by an appropriate individual within the school. Achievement of the deadline relies on the prompt response to Council officers by individuals within the school. In the meantime, the implementation of dual authorisation significantly reduces the risks on school bank accounts.
12.	<b>Item 10</b> - Internal Audit & Anti-Fraud Strategy and Annual Plan 2019-20	John Dix	Given that CAFT have almost double the number of days budgeted for 2019/20 compared to internal audit please can you clarify who sets the priorities between the two functions, and how many of the 3,080 days for 2018/19 were allocated to concessionary travel fraud, especially blue badge misuse?	<p>The Director for Assurance has overall responsibility for both CAFT and Audit services and is therefore responsible for the setting of the priorities for both services. However, this is done in collaboration with the Head of Internal Audit and the Head of Counter Fraud Operations.</p> <p>The annual workplan is drafted through a process of review of risk registers, collaboration with Chief Officers and intelligence from previous work. It is then agreed by the Council's Management Team and then finally agreed at the Audit Committee.</p> <p>Any changes, amendments and additions to plan are reported quarterly to both the Council's management team and the Audit Committee through the relevant service quarterly reports.</p> <p>The number of days allocated to concessionary travel, especially blue badge misuse and fraud, from the CAFT budget/days allocation for 2018/19 was 880 days.</p>

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13.	Item 10 - Internal Audit & Anti-Fraud Strategy and Annual Plan 2019-20	John Dix	If the 4,187 days allocated for CAFT and Internal Audit were split evenly 50:50 what additional internal audit work could be carried out this year with the extra 628 days of internal audit resources?	<p>To clarify, the respective budgets for both Internal Audit and CAFT are set and managed separately. The calculation of days is combined in the presentation of the annual joint plan for transparency and for ease of benchmarking across peers.</p> <p>It is not possible to split the overall number of days for both services 50:50 as the two services cannot be directly compared/spilt for the following reasons:</p> <ul style="list-style-type: none"> <li>• CAFT officers are professionally qualified Criminal Investigators, and likewise Internal Audit Staff are professional qualified Auditors – two very different professions.</li> <li>• The Internal Audit budget is a General Fund budget and audits of CSG/Re services are recharged to CAPITA.</li> <li>• The CAFT budget is funded from the General Fund and there are also arrangements in place to fund Housing Tenancy Fraud investigation from the Housing Revenue Account and to fund Concessionary Travel investigations from the Special Parking Account. Proceeds of Crime Confiscation Incentivisation income that is awarded is ringfenced for Counter Fraud work and initiatives.</li> </ul>

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14.	<b>Item 10</b> - Internal Audit & Anti-Fraud Strategy and Annual Plan 2019-20	John Dix	Only 80 days have been allocated for Strategic Director of Environment. The change in refuse collections has proved to be problematic, the budget was £2 million overspent in 2018/19 and at the last Environment Committee no one was able to identify if the changes had saved any money whatsoever and may have cost considerably more. As such, to what extent would a high priority internal audit of the on-going operation of the refuse department help to save the council significant costs and highlight operational, safety and reputational risks?	The changes to the recycling and waste service are reported and monitored through the Environment Committee. A detailed report was considered at the Committee on 14th March 2019, including a review of lessons learnt and conclusions and recommendations. The service is working to balance the rounds, and continue to bed in the service while monitoring the costs and quality of the service as approved by the Environment Committee.
15.	<b>Item 11</b> - Audit Progress Report	John Dix	At page 6 of the report it states that a draft statement of reason has been issued regarding gainshare. Can you clarify when the final statement of reason will be issued?	The council's understanding is that the final statement of reason will be issued after the 2018/19 final accounts audit has concluded.