

## Decisions of the Audit Committee

1 May 2019

Members Present:-

Councillor Anthony Finn (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 31st January 2019 were agreed as a correct record.

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

None

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

Member	Item	Interest Declared
Councillor Alison Moore	Item 8 - Internal Audit Exception Recommendations Report and Q4 Progress Report 1st January to 31st March 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 8 - Internal Audit Exception Recommendations Report and Q4 Progress Report.

**6. MEMBERS' ITEMS (IF ANY)**

None.

**7. IMPROVEMENTS TO FINANCIAL CONTROLS; PROGRESS REPORT ON THE GRANT THORNTON RECOMMENDATIONS AND ACTION PLAN**

The Director of Finance (s151) introduced the report which provided the Committee with an 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.

She explained that since January 2019, three additional recommendations had been implemented GT19, GT22 and GT23. With regards to GT15 this had now moved into the amber category as new processes had been verified.

She further explained that this is last time this item would be reported as standalone report. Going forward it will be incorporated as part of the Internal Audit Progress Report.

**RESOLVED -**

- 1. That the Audit Committee notes the progress that has been made towards the completion of the GT Action Plan;**
- 2. That the Audit Committee notes that further progress of remaining actions will be monitored as part of the Internal Audit report.**

**8. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS REPORT AND Q4 PROGRESS REPORT 1ST JANUARY TO 31ST MARCH 2019**

The Head of Internal Audit presented the report which detailed for the Committee the progress against internal audit recommendations and work completed to date on the Internal Audit & Corporate Anti-Fraud Team (CAFT) Plan 2018-19 and high priority internal audit recommendations.

During this quarter, the service issued 22 reports and the priority for the Internal Audit team was its work to confirm the implementation of the remaining actions arising from the GT review. The progress on this work being reported within the Report of the Director of Finance.

With regards to follow ups this quarter a total of 40 high priority actions due by the end of March 2019 were followed up. In response to the poor Q3 performance the Chief Executive has been holding fortnightly sessions to keep a close eye on progress. The speed of response has now significantly improved and in Q4 we have confirmed that 82% of actions have been implemented (Q3 49%). As this is still below target during 2019/20 we will have an enhanced focus on confirming that audit actions have been implemented. The 2019/20 Internal Audit & CAFT Plan (Agenda Item 10) reflects this in that 150 audit days have been allocated to this activity (2018/19: 100 days).

With regards to issues identified in the School Payroll Audit the committee requested that a 'lessons learnt report' is brought back to future meeting of committee, detailing what processes have been put in place and actions to ensure these problems do not reoccur  
**[Action]**

**RESOLVED - That the Committee note the work completed to date on Internal Audit Q4 progress report - 1<sup>st</sup> January to 31<sup>st</sup> March 2019.**

## **9. CORPORATE ANTI-FRAUD TEAM (CAFT) ANNUAL REPORT 2018/19**

The Director of Assurance present the report which provided an up-to-date picture of the work undertaken by Corporate Anti-Fraud Team (CAFT) during that time during period 1st April 2018 – 31st March 2019. Detailed in the report the work of the following;

- Tenancy Fraud Team
- Concessionary Travel Fraud team
- Corporate Fraud Team

Of particular noting, the year saw CAFT officers investigate and prosecute an unprecedented internal financial fraud. This saw officer resource diverted from all sections within the team to deal with the investigation. The case was given the name Operation Rouble and subsequently proved to be the most challenging, complex and substantial fraud that Barnet has experienced.

**RESOLVED – That the Committee note the CAFT Annual Report covering the period 1st April 2018 – 31st March 2019**

## **10. INTERNAL AUDIT & ANTI-FRAUD STRATEGY AND ANNUAL PLAN 2019-20**

The Committee considered the report which was formulated in consultation with the Council Management Team and with reference to the Council's risk registers and in particular noted the following points;

1. Remaining actions from Grant Thornton Review of CPO fraud - if not fully implemented prior to 1st May Audit Committee it is proposed continuing the follow ups as part of the appropriate 'Business as Usual'
2. Follow-ups – more resource has been allocated in 2019/20 to enable strengthening the approach to following up previous audits. this is due to the high level of audit follow-up work required in 2018/19 and to enable the follow-up of more Medium priority actions.
3. Internal Audit Growth Bid - a successful growth bid for £116k was submitted during the year. The purpose of the bid to fund two new posts within the in-house Internal Audit team, an Internal Audit Manager and a second Senior Audit Executive. With non-chargeable days taken into consideration this equates to approximately 200 additional 'audit days' to incorporate into the plan.

With regards to the number of audit days allocated for the Strategic Director for Environment, currently 80 days, the Head of Internal Audit confirmed this would be reviewed in light of Members comments.

**RESOLVED – That the Committee approves the Internal Audit & Anti-Fraud Strategy and Annual Plan for 2019-20.**

## **11. AUDIT PROGRESS REPORT**

The External Auditor, BDO, presented the report which provided an update on the key aspects of the External Audit of the Council. The report also provides the Committee with an outline of our proposed work and progress to date for 2018/19.

He explained that BDO assessed whether the arrangements put in place by the Council would allow them to complete their work by the expected deadlines and whether there are any issues likely to have a significant impact on their ability to provide unmodified audit reports and opinions. This was included as a 'RAG' assessment in Appendix A attached to the main report

**RESOLVED –**

- 1. That Members Note BDO's update report**
  
- 2. That the Committee consider whether there are any areas on which they require additional information.**

## **12. CERTIFICATION OF GRANT CLAIMS**

The External Auditor from BDO, presented the report which detailed the main issues arising from BDO's certificate of grant claims and returns for the financial year ended 31 March 2018.

He explained that is required to pay a portion of its Housing Capital Receipts over to Central Government. The Council makes official returns to Central Government setting out the volume and value of these receipts and the amounts it has used to provide new Council Housing. The final (year-end) Return to Central Government is subject to External Audit Certification

The details of each grant claim and return subject to certification by BDO for the financial year ended 31 March 2018 related to the following;

- Housing benefit subsidy
- Polling of housing capital receipts
- Teachers Pensions

With regards to other certification work, BDO were engaged to carry out the for the year ended 31 March 2018:

- 'Agreed-upon procedures', based on the instructions and guidance provided by the Ministry of Housing, Communities and Local Government (MHCLG), of the Pooling of housing capital receipts return

- 'Agreed-upon procedures', based on the instructions and guidance provided by the Department for Education, of the Teachers' pensions return.

**RESOLVED –**

1. That Members Note the BDO's findings and recommendations
2. That the Committee consider whether there are any areas on which they require additional information.

**13. COMMITTEE FORWARD WORK PROGRAMME**

**RESOLVED** that the Committee noted the Work Programme.

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

None.

The meeting finished at 9.25 pm