



AUDIT COMMITTEE

Date 31st January 2019

Title	Improvements to financial controls; Progress report on the Grant Thornton recommendations and action plan
Report of	Director of Finance (Section 151 Officer)
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 - GT Recommendations Tracker
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Summary

This report 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 the progress that has been made towards the completion of the GT Action Plan

1. WHY THIS REPORT IS NEEDED

- 1.1 Over the last 14 months, the Council, working in partnership with Re and CSG, 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. As has been previously reported in at both the July 2018 and November 2018 Audit Committee meetings, this work, including that by Re and CSG colleagues, has led to an improvement in the robustness of the financial control environment, as a result of strengthened processes within CSG finance and greater oversight, review and sign off by senior Council officers.
- 1.2 However, more work needed to be done to ensure that all recommendations are fully embedded and this report provides an update on the action tracker that was set up in response to the 32 recommendations contained in the GT report called Review of Financial Management Relating to CPO Fraud Finding and lessons learned (CPO stands for Compulsory Purchase Orders) dated 18th September 2018.
- 1.3 The approach taken by the Council and agreed with GT and Capita was that all the new process and other work would be “verified” prior to implementation. Once implemented, it was agreed that testing would take place to ensure that the changes had been embedded. The verification process was reported as complete in all instances, apart from one recommendation, GT 32 which relates to the forensic accounting work undertaken relating to the fraud. This recommendation has now been actioned. There are eight separate Internal Audit (IA) reviews taking place, which incorporate all the testing of the GT recommendations, along with other testing relevant to the area under review. Internal Audit are testing 27 recommendations as 4 are already completed and testing was not required, making 31 recommendations in total. GT32 is not a recommendation, but listed by GT separately as “further work” (now actioned). The status of the IA testing is as follows:

Table 1 – Status

Rating	Number of recommendations as at Jan 2019
Green (implemented)	19
Amber (partly implemented)	3
Red (not implemented)	1
To be confirmed	4
Completed~	4
Total (excluding GT32)	31

~Internal Audit testing not required as GT reviewed the actions

- 1.4 There are 4 recommendations that are marked “to be confirmed”. Further work is being carried out and there will be a verbal update at Committee. Further commentary on the status of each action can be found within Appendix 1, GT Recommendations Tracker. Members will note that only 1 recommendation is marked as red and not implemented, GT25. There will be a verbal update on this at Committee.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Member will note that significant progress has been made towards successfully completing the embeddedness of all the new process and other action, but that there is still more work to do. A further report will be made to the May 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 Not applicable

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

- 5.2.1 The cost of the GT report and interim financial resource to support the delivery of the work programme has been met by Capita. Funding for Barnet auditing of Capita is agreed annually.

5.3 Social Value

- 5.3.1 None in the context of this decision

5.4 Legal and Constitutional References

- 5.4.1 Article 7 sets out the Audit Committee’s terms of reference, which 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.

5.5 **Risk Management**

5.5.1 This work has contributed to a significant reduction of risk in a key area

5.6 **Equalities and Diversity**

5.6.1 None in the context of this decision

5.7 **Corporate Parenting**

5.7.1 None in the context of this decision

5.8 **Consultation and Engagement**

5.8.1 None in the context of this decision

5.8 **Insight**

5.8.1 None in the context of this decision

6. **BACKGROUND PAPERS**

6.1 Report of the Chief Executive 17th July 2018:

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&MId=9493&Ver=4>

6.2 Report of the Chief Executive 22nd November 2018:

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&MId=9494&Ver=4>