

	<h2 style="margin: 0;">Audit Committee</h2> <h3 style="margin: 0;">1st May 2019</h3>
<b>Title</b>	<b>Internal Audit Exception Recommendations Report and Q4 Progress Report 1<sup>st</sup> January to 31<sup>st</sup> March 2019</b>
<b>Report of</b>	Head of Internal Audit
<b>Wards</b>	Not applicable
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	<b>Appendix 1</b> - Internal Audit Q4 progress report (1 <sup>st</sup> January to 31 <sup>st</sup> March 2019)
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## Summary

Members are asked to note 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 quarter 4 the service has issued 22 reports. Detail has been presented within the report on audits that were given 'No' or 'Limited' assurance or management letters that included high priority recommendations:

		Assurance rating
1	Schools Payroll	No Assurance

The audit, which was finalised in February 2019, raised five high priority actions. We have

followed these up during Q4. The status at 31 March 2019 is:

Implemented	3
In Progress – a revised deadline of June 2019 has been agreed	1
In Progress – Internal Audit work ongoing, verbal update to be given to Audit Committee	1

Full copies of 'No' and 'Limited' Assurance audit reports are available on the Barnet website here:

<http://barnet.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=13619&path=0>

### **Follow-Up of Grant Thornton Review of Financial Management Relating to CPO Fraud ('the GT review')**

During the quarter the priority for the Internal Audit team has been its work to confirm the implementation of the remaining actions arising from the GT review. The progress on this work is reported within the Report of the Director of Finance, agenda item 7.

### **Follow-Ups**

During the quarter we have followed up a total of 40 high priority actions due by the end of March 2019. 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).

In Q4 we have confirmed the following:

Implemented	33	82%
In Progress	7	18%
Not Implemented	0	0%
	40	

As noted above, this remains below the target of 90% being implemented but is an improvement on Q3.

At the end of Q3, 20 high priority actions were partially or not implemented. Of those actions, the status is now:

Implemented	7	35%
In Progress	0	0%
Not yet due (deadline was extended as stated within the Q3 report – to be followed up at end of Q1 2019/20)	13	65%
	20	

## Recommendations

1. 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.

### 1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee's role in receiving this report is to note the overall progress made against the 2018-19 Internal Audit Plan and the high priority recommendations made. In addition, the Audit Committee can inquire of Directors and Assistants Directors as to their progress against recommendations.

### 2. REASONS FOR RECOMMENDATIONS

- 2.1 The Audit Committee approved the Internal Audit Plan 2018-19 in April 2018 and this report notes the progress against that plan and progress against high priority recommendations.

### 3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not relevant

#### **4. POST DECISION IMPLEMENTATION**

- 4.1 The Internal Audit Plan 2018-19 will continue to be delivered as reported to the Audit Committee with recommendations implemented in line with the report.

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Corporate Priorities and Performance**

- 5.1.1 All internal audit and risk management planned activity is aligned with the Council's objectives set out in the Corporate Plan 2015-2020, and thus supports 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.

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

- 5.2.1 When internal audit findings are analysed alongside finance and performance information it can provide management with the ability to assess value for money.
- 5.2.2 The Internal Audit Plan 2018-19 agreed by the Audit Committee is being achieved from Internal Audit's current budget.

##### **5.3 Social Value**

- 5.3.1 None in the context of this decision

##### **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 paragraph 2 states that the Committee can consider summaries of specific internal audit reports as requested.

##### **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 None in the context of this decision

## 5.8 Consultation and Engagement

5.8.1 Not applicable

## 5.9 Insight

5.9.1 None in the context of this decision

## 6. BACKGROUND PAPERS

6.1 Audit Committee 11 March 2010 (Decision Item 11) - the Committee accepted that there would be progress reports to all future meetings of the Committee and, that for all “limited” or “no assurance” audits, there should be a brief explanation of the issues identified.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201003111900/Agenda/Document%208.pdf>

6.2 Audit Committee 21 September 2010 (Decision Item 7) – the Committee agreed that where an audit had limited assurance that greater detail be provided than previously.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201009211900/Agenda/Document%203.pdf>

6.3 Audit Committee 17 February 2011 (Decision Item 7) – the Committee (i) agreed that a report would be prepared quarterly regarding those internal audit recommendations not implemented (ii) requested that the table of priority 1 recommendations should in future indicate what date recommendations were made to service areas and the implementation date.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201102171900/Agenda/Document%204.pdf>

6.5 Audit Committee 19 April 2018 (Decision Item 9) – the Audit committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan 2018-19

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&MId=8416&Ver=4>