



AUDIT COMMITTEE

1st May 2019

Title	Improvements to financial controls; Progress report on the Grant Thornton recommendations and action plan
Report of	Director of Finance
Wards	Not Applicable
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 - GT Recommendations Tracker
Officer Contact Details	Anisa Darr, Director of Finance, Anisa.Darr@barnet.gov.uk 020 8359 7634

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;
2. That the Audit Committee notes that further progress of remaining actions will be monitored as part of the Internal Audit report.

1. WHY THIS REPORT IS NEEDED

- 1.1 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 (GT) were commissioned to carry out a detailed independent review of financial controls. As has been previously reported in at the July 2018, November 2018 and January 2019 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 (until 31st March 2019, at which point the Finance Service was insourced; the service is now managed by the Director of Finance) and greater oversight, review and sign off by senior Council officers.
- 1.2 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 verified, it was agreed that testing would take place to ensure that the changes had been embedded. The verification process was reported as being complete for all of the 32 recommendations at the January 2019 Audit Committee
- 1.4 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”.
- 1.5 Following the last Audit Committee on 14st January 2019, more work needed to be done to ensure that all recommendations are fully embedded; at that Committee, one recommendation, GT15 relating to Payments was red, with the status of 4 other recommendations marked as “to be confirmed” as Internal Audit had not completed their assessment. The current status of the IA testing is set out in Table 1 overleaf:

Table 1 – Status of GT recommendations

Ratings for recommendations	April 2019	January 2019
Green (implemented)	22	19
Amber (partly implemented)	5	3
Red (not implemented)	-	1
To be confirmed	-	4
Completed~	4	4
Total (excluding GT32)	31	31

~Internal Audit testing not required as GT reviewed the actions

- 1.4 Since the January 2019 report, three additional recommendations have been implemented GT19, GT22 and GT23. GT15 has now moved into the amber category as new processes have been verified.
- 1.5 Appendix 1 has been revised to include the owner of each outstanding item post finance insourcing. This is applicable of all the amber recommendations GT4, GT15, GT16, GT20 and GT21.
- 1.6 It is noted that this will be the final separate report covering the improvements to controls, any outstanding items will be captured within the 2019/20 internal audit plan. Items that are not fully implemented prior to 1st May Audit Committee are suggested to be continuingly followed up as part of the appropriate 'Business as Usual' audits as follows;

GT ref	GT finding	Proposed Audit	Provisional timing
GT4	Managing access and authorisation rights on IT systems	HR Processes (post insourcing)	Q2
GT15	BACS process for new suppliers	Accounts Payable (2018/19 review still at fieldwork stage)	Q1
GT21	Capital Budgets (BDM)	Capital Budget Monitoring	Q2
GT16	Duplicate banking details	Accounts Payable (2018/19 review still at fieldwork stage)	Q1
GT19	Role of Finance Business Partners	Revenue Budget Setting and Monitoring	Q1
GT20	Capital Budget Review	Capital Budget Monitoring	Q2

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>
- 6.3 Report of the Director of Finance 31st January 2019
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&MId=9495&Ver=4>