	Audit Committee **30th October 2019**
Title	**Internal Audit Exception Recommendations Report and Q2 Progress Report 1st July to 30th September 2019**
Report of	Head of Internal Audit
Wards	Not applicable
Status	Public
Urgent	No
Key	No
Enclosures	**Appendix 1** - Internal Audit Q2 progress report (1st July to 30th September 2019)
Officer Contact Details	Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721

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 2019-20 and high priority internal audit recommendations.

During quarter 2 the service has issued 13 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	Highways Programme	No Assurance
2	Accounts Payable	Limited Assurance

3	St. Michael's Catholic Grammar School	Limited Assurance

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

Grant Thornton Review of the Financial Management Relating to Compulsory Purchase Order (CPO) Fraud

In the 2019/20 Internal Audit plan we committed to completing our work on the remaining GT actions as part of the following reviews. A summary of the current status is below:

GT ref	GT finding	Priority	Audit	Status
GT4	Managing access and authorisation rights on IT systems	High	Follow-Up of Integra Access & Program Change Management audit HR Processes (post insourcing)	In Progress
GT15	BACS process for new suppliers	High	Accounts Payable	Implemented
GT21	Capital Budgets (BDM)	High	Capital Budget Monitoring	Implemented
GT16	Duplicate banking details	Medium	Accounts Payable	Implemented
GT20	Capital Budget Review	Medium	Capital Budget Monitoring	In Progress

High priority follow-ups

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

In Q2 we have confirmed the following:

Implemented	31	78%
In Progress*	9	22%
Not Implemented	0	0%
	40	

Follow up Actions Summary	Total	Completed	Substantial progress	Reasonable Progress	Some/Limited Progress
Total Number of Actions	40	31	4	4	1
Percentage of Actions		78%	10%	10%	2%

This is below the target of 90% being implemented within agreed timeframes.

Medium priority follow-ups

During 2018/19, a significant amount of work was undertaken by the Council to strengthen its control environment after the Council suffered a £2m fraud. As part of this, the Internal Audit service submitted a successful growth bid and received additional funding. Part of the rationale for this was to enable the service to provide additional assurance that where internal audit has raised recommendations in the past, that these have indeed been implemented.

In the past, as a service we have only routinely followed up high priority actions to confirm their implementation. The outcome of this work is reported to the Audit Committee on a quarterly basis. We would also follow-up other actions, particularly medium priority actions, when we next visited the area under review. However, this could be several years later.

From now on, as part of the rolling internal audit plan, we propose to follow up a sample of medium priority actions throughout the year. This would be done on a 'spot check' basis, with services being notified at the beginning of each quarter which actions we will be reviewing. When selecting our sample of actions to test, a primary focus will be to confirm that actions relating to financial and fraud risk have been implemented. The outcome of this work would be summarised and reported to the Audit Committee on a quarterly basis from Q3 onwards.

From 2019/20 the Policy & Resources Committee have a new reported indicator as follows: **P&R 5:** Timely implementation of high and medium audit recommendations relating to fundamental financial systems

The spot checks of medium-priority actions will enable us to report against this indicator.

Recommendations

1. **That the Committee note the work completed to date on Internal Audit Q2 progress report - 1st July to 30th September 2019.**

2. **That the Committee approve the approach to following up a sample of medium priority audit actions and reporting the outcome to the Audit Committee.**

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 2019-20 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 2019-20 in May 2019 and this report notes the progress against that plan and progress against high priority recommendations.

2.2   The change in approach, whereby a sample of medium priority audit actions will be followed up and the outcome reported to Audit Committee, will lead to a change to the Internal Audit Charter.

3.   ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1   Not relevant.

4.   POST DECISION IMPLEMENTATION

4.1   The Internal Audit Plan 2019-20 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 2020-2024, 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 2019-20 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   Article 7 of the Council's Constitution, 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 1 May 2019 (Decision Item 10) – the Audit committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan 2019-20

http://barnet.moderngov.co.uk/documents/s52415/Internal%20Audit%20Anti-Fraud%20Strategy%20and%20Annual%20Plan%202019-20.pdf