



Audit Committee

30th January 2020

Title	Internal Audit Exception Recommendations Report and Q3 Progress Report 1st October to 30th December 2019
Report of	Caroline Glitre – Head of Internal Audit
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 - Internal Audit Q3 progress report (1 st October to 30 th December 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 2019-20 and high and medium priority internal audit recommendations.

During quarter 3 the service has issued 16 reports. Detail has been presented within the report on audits that were given 'Limited' assurance or management letters that included high priority recommendations. There were no reports issued with a 'No' Assurance rating in this quarter:

	Review	Assurance rating
1	Mosaic Application Review	Limited Assurance
2	Accounts Receivable*	Limited Assurance
3	Cash and Bank*	Limited Assurance

*In response to the Grant Thornton Review of the Financial Management Relating to Compulsory Purchase Order (CPO) Fraud and the insourcing of Finance on 1st April 2019, it was agreed that the 2019/20 internal audits of Key Financial Systems should be broader in scope than in previous years. It was therefore more likely that the broader scope of internal audits would result in more individual findings. As each individual finding is given 'points' in accordance with the Internal Audit Charter, and the number of total points determines the overall assurance rating, any Limited Assurance ratings in relation to internal audits of Key Financial Systems should be viewed in this context.

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 on the remaining actions 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
GT20	Capital Budget Review	Medium	Capital Budget Monitoring	In Progress

High and Medium Priority follow-ups

As agreed at the Audit Committee in October, during quarter 3 we have followed-up a sample of medium priority actions as well as all the high priority actions that were due in the quarter.

During the quarter we have followed up a total of 36 high priority and 32 medium priority actions due by the end of December 2019.

In Q3 we have confirmed the following:

High priority actions: Follow-up Summary	Total	Completed	Substantial progress	Reasonable progress	Limited progress
Total Number of Actions	36	27	3	5	1
Percentage of Actions		75%	8%	14%	3%

This is below the target of 90% critical and high actions being implemented within agreed timeframes.

Medium priority actions: Follow-up Summary	Total	Completed	Substantial progress	Reasonable progress	Limited progress	Not implemented
Total Number of Actions	32	16	2	12	1	1
Percentage of Actions		50%	6%	38%	3%	3%

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 Q3 progress report - 1st October to 30th December 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 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>