

	<b>Audit Committee</b> <b>14<sup>th</sup> July 2020</b>
<b>Title</b>	<b>Annual Internal Audit Opinion 2019-20</b>
<b>Report of</b>	Caroline Glitre – Head of Internal Audit
<b>Wards</b>	Not applicable
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Annual Internal Audit Opinion 2019-20
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<b>Summary</b>	

Each year the work of Internal Audit is summarised to give an overall opinion on the system of internal control and corporate governance within the Council. This is a requirement of the Public Sector Internal Audit Standards (PSIAs).

The Opinion covers the internal audit work completed delivering the 2019/20 audit plan to 31 March 2020, including the work completed more recently to complete the audits that were paused due to the COVID-19 response. It is also informed, where appropriate, by other third-party assurances, for example from Ofsted and the Pensions Regulator.

The four possible ratings that can be given are:

**Finding rating**



In 2019-20 the annual opinion overall is:

**Reasonable assurance**

This is the first time the annual opinion has been Reasonable Assurance since 2016-17. In 2017-18 and 2018-19 the annual opinion was Limited Assurance.

In those two years, the key contributing factors to the Limited ratings were (a) the **Compulsory Purchase Orders fraud** that was identified in December 2017 and the subsequent Grant Thornton report and associated action plan; and (b) the **Ofsted inspection** that rated Barnet's children's services as Inadequate.

During 2019/20, as part of our audit programme we continued work to confirm that the **GT actions** had been implemented. This vast majority of this work has been completed and we have seen improvements across the Finance function since the service was brought in-house on 1<sup>st</sup> April 2019. The service has since completed a significant restructure and undertaken its own project to review and strengthen financial controls.

At present, there are two actions (from the original 32) which still have work remaining. The implementation of both of these actions has been adversely affected by the need to prioritise the COVID-19 response:

GT ref	GT finding	Status
GT4	Managing access and authorisation rights on IT systems	<b>In Progress</b>  The actions being taken to address this finding are part of the wider Starters, Leavers and Movers (SLaM) project which is underway as part of HR Transformation.
GT20	Capital Budget Review	<b>In Progress</b>

		<p>As at the end of Q4 the work within finance to address these actions was on hold until ‘business as usual’ resumes after the current phase of COVID-19 response work.</p> <p>As part of the Council’s ‘recovery’ work, the finance team have stated they are reviewing capital monitoring and improving on it to set the standard for 2020/21. This includes work to embed the leadership for capital forecast in the business partner teams, which has been developed in month 2 reporting and should be largely in place for month 3 (Q1). Training is being developed alongside this.</p>
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**Ofsted** completed their full follow-up inspection in May 2019 with an extremely positive outcome of Barnet’s children’s services moving from ‘Inadequate’ to ‘Good’.

On **Pensions**, in 2018/19 we found that a number of audit actions had not been implemented and the service was under scrutiny from the Pensions Regulator. In 2019/20 we continued to follow-up previously raised audit actions and these are now substantially implemented. In addition, the Council made the decision to transfer pensions data and administration services from Capita to West Yorkshire Pension Fund on 1<sup>st</sup> April 2021 and there is a transition plan in place.

In March 2020, the COVID-19 pandemic affected every aspect of Council service delivery. There is recognition from officers and members that the Council has responded reasonably effectively in extremely difficult circumstances which is acknowledged within the opinion. Any review of effectiveness of the response and the Recovery Planning Programme will primarily inform the 2020/21 Annual Opinion next year.

Finally, the % of audit reports that have been given a ‘positive’ assurance rating of either Substantial or Reasonable assurance has increased compared to the previous year for both Non-Schools and Schools audits:

% of reports awarded ‘Substantial’ or ‘Reasonable’ assurance		
	2019/20	2018/19
<b>Non-Schools</b>	80%	75%
<b>Schools</b>	90%	87%

In summary, improvements have been shown during the year and it is my opinion that the overall rating of Reasonable Assurance is appropriate. Although some high risk rated weaknesses were identified in individual assignments these are broadly isolated to specific systems or processes. None of the individual assignment reports have an overall classification of critical risk.

Further improvements are required to improve the adequacy and effectiveness of governance and control compliance in particular areas.

The key findings from our audits have been grouped into four themes in the Summary of Findings section of the report:

- Financial control and fraud risk
- Compliance / Policies & Procedures
- Oversight, accountabilities and roles and responsibilities
- Systems access.

The Annual Internal Audit Opinion will inform the Annual Governance Statement which will be presented to the next meeting of the Audit Committee.

## **Recommendations**

- 1. That the Committee note the contents of the Annual Internal Audit Opinion 2019-20.**

### **1. WHY THIS REPORT IS NEEDED**

- 1.1 The Audit Committee's role in receiving this report is to note the overall assurance given and to focus on the improvement areas noted as themes for 2019-20. This is as per the approved Workplan of the Audit Committee.

### **2. REASONS FOR RECOMMENDATIONS**

- 2.1 As per the approved Workplan of the Audit Committee.

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 N/A

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

- 4.1 N/A

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

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

- 5.1.1 All internal audit and CAFT planned activity in 2019-20 was aligned with the Council's objectives set out in the Corporate Plan 2019-24, and thus supported 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.

- 5.1.2 The Annual Internal Audit Opinion informs the Annual Governance Statement that is also presented to this Committee.

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

- 5.2.1 When risk, and assurances that those risks are being well managed, is analysed alongside finance and performance information it can provide management with the ability to measure value for money.

#### **5.3 Social Value**

- 5.3.1 N/A

#### **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, Article 7 states that the Audit Committee should:

'provide independent assurance of the adequacy 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 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 report.

#### **5.8 Consultation and Engagement**

- 5.8.1 N/A

#### **5.9 Insight**

- 5.9.1 N/A

### **6. BACKGROUND PAPERS**

- 6.8 [Audit Committee 30 January 2020](#) (Decision Item 10). – The Committee approved the Work Programme for January 2020 – July 2020, which included the Internal Audit Annual Opinion for inclusion at this meeting.