

The London Borough of Barnet

Annual Internal Audit Opinion

2019/2020

July 2020

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Executive summary (1 of 5)

Introduction

This report outlines the internal audit work carried out for the year ended 31 March 2020.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Internal audit work was performed in accordance with the Public Sector Internal Audit Standards 2017.

Due to the impact of COVID-19 in March 2020, and the Council's priority being the delivery of critical frontline services, there was an impact in managing and closing out the delivery of some reviews in the period, as it affected the availability of audit stakeholders and also led to the redeployment of Internal Audit staff to delivering these services. A number of reviews scheduled to be finalised by 31 March 2020 were therefore completed in Q1 2020/21.

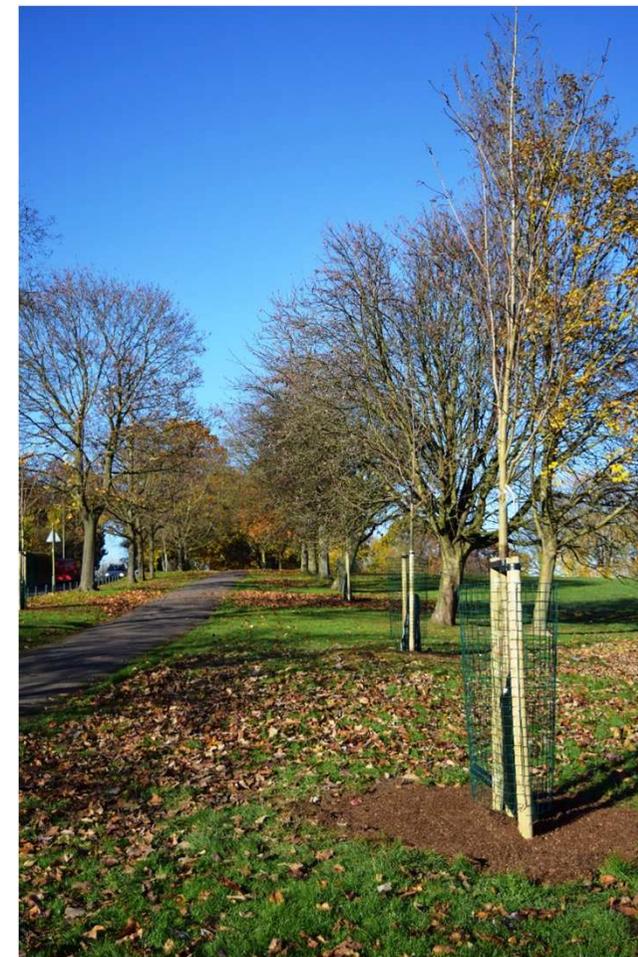
In 2017-18 and 2018-19 the annual opinion was 'Limited Assurance'. In those two years, the key contributing factors to the Limited ratings were (a) the Compulsory Purchase Orders fraud that was identified in December 2017 and the subsequent Grant Thornton report and associated action plan; and (b) the Ofsted inspection that rated Barnet's children's services as Inadequate.

This year, the finance service was brought back in house on 1 April 2019 and has since completed a significant restructure and undertaken its own project to review financial controls. 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'. We have seen improved engagement in the audit follow-ups process. In addition, systems of internal control were found to be 'Reasonable' or 'Substantial' in 80% of non-schools audits (compared to 75% in 2018/19). For schools audits, the result was 90% (compared to 87% in 2018/19). The combination of these factors means that the overall opinion has improved to the position of 'Reasonable Assurance' for the year.

Head of Internal Audit opinion

I am satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute.

An explanation of the types of opinion that may be given can be found in Appendix 2.



Executive summary (2 of 5)

Opinion

Our opinion is as follows:

Reasonable Assurance

Improvements have been shown during the year. 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.

Please see our Summary of Findings in Section 2.

Direction of travel

2018/19 annual opinion:

Limited Assurance



An explanation of the types of opinion that may be given can be found in Appendix 2.

Basis of opinion

Our opinion is based on:

- All audits undertaken during the year.
- Any follow up action taken in respect of audits from previous periods.
- Where applicable, any significant recommendations not accepted by management and the resulting risks.
- The effects of any significant changes in the organisation's objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.
- What proportion of the organisation's audit needs have been covered to date.
- Consideration of third party assurances where available.

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Commentary

- We completed 43 internal audit reviews and 20 schools audits during 2019/20. This resulted in the identification of 0 critical, 20 high, 136 medium and 56 low risk findings to improve weaknesses in the design of controls and/or their operating effectiveness.
- Areas of good practice were identified on certain audits reflecting the well-designed controls in place to support delivery across Service areas. The review of compliance with the Risk Management Framework raised only one finding, confirming there is a strong risk management culture in place at Barnet Council in which risk owners and champions understand and fulfil their responsibilities relating to risk management. Areas of poor performance in 2018/19 showed significant improvement in 2019/20, in particular Schools Payroll which moved from a 'No Assurance' rating in 2018/19 to 'Reasonable Assurance' in 2019/20.
- During 2018/19, there was a considerable focus on the delivery of the 'GT Action Plan', the recommendations that came from the Grant Thornton review of the CPO fraud that was identified in December 2017. In 2019/20, Internal Audit continued work to confirm that the remaining actions from that review had been implemented. This vast majority of this work has been completed and we have been pleased to see improvements across the Finance function since the service was brought in-house on 1st 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, relating to managing access and authorisation rights on IT systems and Capital Budget review. The implementation of both of these actions has been adversely affected by the need to prioritise the COVID-19 response.
- In 2019/20 one of the key contributing factors to the Reasonable Assurance opinion is Barnet Children's services being rated as Good by Ofsted in May 2019.

Executive summary (3 of 5)

Commentary (continued)

- 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 1st April 2021 and there is a transition plan in place.
- Engagement from officers in the follow-ups process did improve during the year through the work of the Internal Controls Board; however, during the year the implementation of audit actions was below target. The target of 90% of high priority recommendations being implemented was not met in any quarter and the overall performance for the year was 76%. In 2018/19 the performance was 82%. However, the deterioration compared to the previous year can likely be in part attributed to the impact of Covid 19 on overall Council delivery and the capacity to address audit findings in Q4, as we were only able to follow-up 20 of the planned 65 audit recommendations in Q4. The risk rating of the associated risk, AG020, will remain at 16 until there is clear evidence that improvement has been sustained.
- Internal Audit has continued to work closely with the Council's Corporate Anti-Fraud Team (CAFT) during the year. Their work has continued to yield significant results and provide assurance that the Council has maintained its zero tolerance to fraud. These results are highlighted in the 'CAFT work conducted' section.
- The percentage of positive audit reports - those receiving an overall rating of either "substantial" or "reasonable" – increased from the previous year (75% in 18/19 and 80% in 19/20). Subsequently, the percentage of audit reports receiving negative assurance – those receiving an overall rating of either "no" or "limited" – decreased slightly from the previous year (25% in 18/19 and 20% in 19/20). Although marginal, these changes indicate that the control environment at the Council has improved year-on-year.
- Some familiar issues continued to be noted on reviews performed during the year, in particular relating to financial controls and their operating effectiveness within individual Services. However, this needs to be viewed in the context of the decision to bring finance and strategic HR back in-house on 1st April 2019 and the considerable work undertaken, particularly in finance, to re-structure the service and undertake their own review of internal controls.
- As in the previous year, governance and compliance issues were noted across a number of audits. We found that policy or procedure documents were not consistently in place or regularly updated, leading to examples of statutory and internal deadlines for activity not being met across the Council. An example noted as part of the Pension Fund Finance and Investment review highlighted that a number of employers did not have admission agreements to the Fund, meaning that the Council may have been in breach of the Local Government Pension Scheme Regulations 2013.
- In the current year, a number of issues were noted relating to systems access, particularly concerning Mosaic (social care management) and Integra, the Council's main financial system. As the Council moves towards a more digitally-led environment, reviews will continue to focus on this key issue.

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

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

Executive Summary – COVID-19 (4 of 5)

The UK was put into lockdown on 23 March in response to the COVID-19 pandemic. COVID-19 is recognised as being the single biggest issue facing the country since the Second World War. To respond to the impacts of Covid-19, the council mobilised resources across all service areas (*for info see Urgency Committee, 27 April 2020*)

The Council responded to the crisis by creating a number of workstreams, for example:

- Community Response – Shielded List (including the Essential Supplies Hub)
- Enforcement (including Social Distancing)
- Staff Redeployment scheme
- Excess Death Planning
- Staff Health & Safety (including adapting to Working From Home)
- Business Grants scheme (joint work between Finance and the Corporate Anti-Fraud Team, whereby all grant claims were scrutinised by CAFT prior to payment)

A project is underway to document and flowchart all of these workstreams to enable a swift and effective response should there be a 'Second Wave' outbreak.

A Covid-19 Recovery Planning Programme has been established, led by the Deputy Chief Executive, with input from all service areas and strategic partners (*for info see P&R Committee, 17 June 2020*)

The Council's response will no doubt be scrutinised in the coming months but at the time of writing this Opinion, there is broad agreement from officers and Members that the Council has responded effectively in very difficult circumstances. The Internal Audit plan for 2020/21 is not a 'typical' plan, in that it has been split into phases, the first phase focussing on 'realtime' testing of transactions to provide independent assurance over the control environment in a time of unprecedented change.

Any review of effectiveness of the response and the Recovery Planning Programme will primarily inform the 2020/21 Annual Opinion.

Additional considerations which impacted upon the 2019/20 internal audit planned programme of work and therefore the annual opinion were:

- Due to the impact of COVID-19, and the Council's priority being the delivery of critical frontline services, there was an impact in managing and closing out the delivery of some reviews in the period, as it affected the availability of audit stakeholders and also led to the redeployment of Internal Audit staff to delivering these services. A number of reviews scheduled to be finalised by 31 March 2020 were therefore completed in Q1 2020/21, however as the majority of fieldwork had been completed during 2019/20 the findings have been included within this Opinion. See over page for further commentary on the impact of COVID-19 on the Council's activities.
- Another reason for the drop in completed reports in the year was due to the restructure within the Internal Audit team and having two vacant posts, one of which was filled in August and the other in September. Embedding new staff and allowing for training and induction impacted upon delivery of the plan.

Executive summary (5 of 5)

Implications for next year's plan

In March 2020, due to COVID-19, it became apparent that the previously drafted 2020-21 plan was no longer appropriate; also that engagement in audits would become increasingly problematic due to services' need to prioritise their work on the COVID-19 response. The plan has been split into phases, the timing of which is still to be determined:

Phase 1 - COVID Response and Recovery

- COVID-19 pandemic response / recovery. In particular, this will involve 'realtime' testing of transactions to provide assurance over the control environment during this time of significant change, where controls have had to be adapted.
- Completion of 2019/20 Internal Audit plan, which was affected in March 2020 by the COVID-19 pandemic.

2. Phase 2 – Priority Audits

3. Audits Provisionally Deferred to 2021/22

The 2020/21 internal audit plan is a live document, which will be reviewed during the year to accommodate any emerging risks. It is likely to be impacted severely by the impact of COVID-19 on the Council's operations, and a number of reviews may be added during the year to focus specifically on this area, which is affecting all frontline services within the Council.

Internal Audit Quality Assurance and Improvement Programme

A summary of performance and a self-assessment against the Public Sector Internal Audit Standards can be found at Appendix 4.

Acknowledgement

We would like to take this opportunity to thank the Council and its partners, including Customer Support Group (CSG) and Re staff, for their co-operation and assistance provided during the year.

Summary of findings – Good practice (1 of 6)

Internal Audit – Good Practice

Internal Audit also identified a number of areas where few weaknesses were identified and/or areas of good practice. These include the following Substantial Assurance audit reports and Reasonable Assurance reports with a low number of findings.

Internal Audit	Good practice
Passenger Transport Service (PTS) Health & Safety (Substantial)	Noted a sound control environment for ensuring the safety and well-being of PTS drivers, including maintaining PTS vehicles in a safe condition. There are detailed documented procedures governing related operation and arrangements for ensuring that drivers are familiar with those procedures. Testing confirmed that drivers had the appropriate driver licences and were subject to routine licence checks - involving engagement with the Driver and Vehicle Licencing Agency (DVLA) - and health checks. Risk management is embedded in operation, so for example, where drivers are found to have endorsements on their licences as part of the licence checks, they will be subject to more frequent review and monitoring.
Treasury Management - Compliance with Investment Strategy (Substantial)	The Treasury Management strategy is updated annually and has been created in line with requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance. Benchmarking with other London boroughs is conducted that gives a breakdown of key information supporting the TTSS 2019/20 and identifies investment performance of its portfolios, which helps identify best practise and potential areas of risk.
Theme Committee Priorities – Benefits Management (Substantial)	Well-established controls were in place to ensure that each Theme Committee officer was aware of their roles and responsibilities, that there was an appropriate performance-monitoring framework in place, and there is good governance for each committee. The process for monitoring and reporting via Delivery Plan Leads was implemented in Q1 2019 so this process can be considered relatively new. Due to its recent introduction, it is clear that the implementation of the Delivery Plans is in continued transition, but the Delivery Plan Leads have made significant progress in terms of understanding how the process works and what their roles and responsibilities are.
Better Care Fund (Reasonable)	The BCF programme had detailed terms of references in place for each of the key governance boards (Health and Wellbeing Board & Health and Wellbeing Commissioning Executive Group). There is regular and robust reporting in place for both performance and finance to the HW CEG and NHS England; and strong evidence of regular interaction between the CCG and Adult social care on a number of topics. This demonstrated good operating effectiveness of governance between the CCG and London Borough of Barnet and with NHSE.
MTFS Assurance (Reasonable)	The Council has a number of well-designed controls to support the delivery of the MTFS and achievement of savings, for example: the MTFS is formally approved and monitored regularly through the budget monitoring process; all savings should have supporting delivery plans and owners; and, there is quarterly reporting to the Policy & Resources Committee which helps to ensure there is adequate oversight from senior stakeholders.

Summary of findings (2 of 6)

A summary of key findings from our programme of internal audit work for the year is recorded in the table below. These summaries reflect the position at the time of each audit. As part of the audit follow-up process (see Section 5 – ‘Follow up work conducted’), the implementation of the required actions is monitored and in the majority of cases it has been confirmed that the corrective action has now been taken to strengthen the control environment. Where audit has not yet completed this work, management have confirmed that the required actions have either been completed or are underway.

1) Financial control and fraud risk

Whilst the 2018/19 Internal Audit Plan focussed on key processes and controls to maintain financial control and mitigate the risk of fraud in response to the significant financial fraud uncovered in December 2017 within the Council, the 2019/20 Internal Audit Plan had a much broader lens applied to the reviews in scope during the year, focussing on a number of Services, both within the Council and Capita, especially given the decision to bring strategic HR and finance back in-house on 1st April 2019.

The Plan included a number of audits which sought to gain comfort over the financial controls and their operating effectiveness within individual Services. Our audit results indicate that there has been some improvement since the prior year but some recurrent themes remain, for example: lack of adequate audit trail to support the operation of controls; lack of compliance with key controls and processes; lack of evidence of appropriate segregation of duties and authorisation processes.

Examples noted in the course of our testing

Highways programme – Weaknesses noted in the payment process with respect to the validation of invoices for payment, including invoices not being certified for payment by the appropriate budget manager, invoice amounts not reconciling to supporting calculations, and a lack of evidence of quality checks and checks for completion of works being available for inspection.

Accounts Receivable – Concerns noted around the council’s debt write-off process and issuance of credit notes. When testing Premises Licensing and Gambling, 8/15 (53%) credits notes were issued to previous holders of licenses who were no longer in control of the premises and had not informed PLG of their change of circumstances, and 5/15 (33.3%) were issued to suspended customers. Additionally, it was found that 12 invoices that were supposed to be cancelled in 2017 were still outstanding in Integra as at October 2019. It was also found for both PLG and Education Accounts – Cambridge Education, that the Council’s debt write-off process was not followed by the team.

Cash and Bank – Multiple issues noted. These included: i) A complete listing of all Council bank accounts was not maintained centrally for administration purposes. One bank did not have the correct Council contact details; ii) The management review and sign-off of the bank reconciliation did not include the review and monitoring of the level of unallocated/unreconciled bank transactions, the monitoring of their resolution and therefore timely processing to the general ledger; iii) One instance noted where the request for cash from the Service (£10k cash float held at Colindale) was not retained for referral. There was no evidence of a periodic reconciliation of float cash top up requests to outgoings over a period and previous confirmed balance; and iv) CCTV was not available in the locked room at Colindale where the safe holding the £10k float was held, meaning that there was a lack of visibility of officer activity in the room as would have been expected.

Summary of findings (3 of 6)

1) Financial Control and Fraud risk continued

Examples noted in the course of our testing

Accounts Payable – Issues noted relating to both duplicate payments, which indicated that whilst arrangements to identify potential duplicate payments using software were in progress, these had not been implemented despite ongoing discussions since 2018, and missing supplier invoices, where an instance was identified whereby AP failed to reject a payment without a supporting invoice.

Pension Fund Finance and Investment – It was noted in the review of Pension Fund Committee minutes that there is a backlog of admission agreements, bonds and cessation agreements. This means that the Fund may be exposed to financial risk as a result of not entering agreements with new or former employers. In addition, it was found that there was no clear process for ensuring that strain contributions, being those payable by employers where a member retires early with no reduction to pension, are received. This may lead to contributions due not being received, leading to a loss to the Fund.

Disabled Facilities Grant – Several issues noted: i) For properties containing a DFG that were sold in 2017/18, it was found that 1/19 (5%) of properties tested still contained a land charge related to DFG attached to the property. This could mean the Council is losing out on money where local land charges haven't been applied or actioned appropriately; ii) For monies recouped on properties sold which had a DFG liability charge attached to them, there was no audit trail to confirm where the money recouped from these sold properties rests within the Council's accounts; and iii) a recent procurement exercise has not been undertaken to ensure Value for Money of the contractors undertaking the DFG works to properties.

Revenue Budget Monitoring – To determine approval of new revenue cost centres in Integra, a sample of 11 cost centre creation templates, "LBB Live New Revenue Cost Centre Setup" forms were reviewed. It was noted that for 8/11 (72%), there was no evidence of line manager approval on the template. Senior Finance Management subsequently indicated that 7/8 had been located, meaning an adjusted exception rate of 1/11 (9%). For 3/11 (27%), there was no evidence of Finance Business Partner approval on the template. It was also identified that 3/20 (15%) virements had not been approved at Committee/Director level in line with the Council's Financial Regulations.

Brent Cross Cricklewood (BXC) Regeneration – Financial Controls – A review was undertaken to ensure that the actions from the Grant Thornton review of CPO Fraud had also been applied to the significant BXC scheme. At the time of the review, there had been no new acquisitions since the enhanced control requirements were introduced. Therefore historic acquisitions were reviewed against the new, higher standard of controls. It was noted that in the past evidence had not been retained to confirm review of CHAPS memos and there was a lack of evidence that budget holders were made aware of final payment of funds, which is required in order to inform budgets and decision-making.

Council Tax – It was noted at the date of testing that the Council's 'Council Tax Aged Debt Report' highlighted that there is a significant amount of debt that is outstanding (approximately £31m). Of this debt, approximately £11m (35%) is more than 5 years old. In addition, 2/25 (8%) debts authorised to be written off during the period indicated no evidence to demonstrate that the write off request form (for a write off greater than £1,000) had been completed and approved.

Summary of findings (4 of 6)

2) Compliance / Policies and Procedures

In a number of areas including some key financial systems, we noted that policies and procedures were not consistently in place or regularly updated. In addition, the quality of key documents was often below expectation. As a basic pillar of a functioning control framework, this indicates that the control environment is not being regularly reviewed and updated to mirror changes in local or statutory approaches to service delivery, increasing the level of risk exposure for the Council. Further, there were examples noted where policies and procedures had not been followed by senior staff members, indicating issues within the control environment and a lack of understanding of how processes work.

Examples noted in the course of our testing

Highways programme – Issues were noted regarding the quality of the SPIRs documents and SPIRs invoice approvals. For instance, there was no clear agreed process regarding Purchase Orders (POs) and payment of invoices relating to SPIRs and a lack of clarity regarding who is responsible for approving invoices, as well as a lack of clarity regarding the involvement and role of the Commercial/Programmes Team in oversight of invoices prior to payment.

Accounts Payable - There was no reporting and review process for dual authorisation of purchase orders above £1m as required by the relevant process note. In addition, the process document which outlined how payments are made through Integra using a manual upload process, recently to the value of £101m annually, was not clear as to the type of payments which may be made through the manual upload process and the schedule of manual payment authorisers, referred to in the document, was out of date as it referred to officers who had left the Council/Capita. Other issues were noted through review of the 14 Intranet procedures that were relevant to AP processing - 10/14 were out of date and had not been reviewed or updated in more than two years, and the remainder had been updated in the course of the year, but contained information which was out of date around the escalation route for AP.

Re - 2018/19 Follow up of 2016/17 Operational Review – It was noted that only 5/12 (41%) of the medium priority actions from the Phase I Re Operational Review in October 2016 have been fully implemented.

Teachers' Pensions – It was observed from a sample of five payments to the Teachers' Pension Scheme that the process being operated by the Council to transfer payments from schools to Teachers Pensions did not enable them to be paid within the statutory deadline of the 7th of the month following the deduction of contributions. It was confirmed with Teacherspensions.co.uk that the total amount of interest for late payments between April 2019 and February 2020 is £36,698.39, in addition to outstanding interest invoices from previous financial years, dating back to April 2014, totalling £49,057.91.

Accounts Receivable – Issues highlighted relating to the income collection manual invoicing (spreadsheet) process and the income collection and debt management guidance. We noted that controls on manually produced invoices (through spreadsheet) are not adequate. The invoices are not checked or authorised by senior officers. In addition, we confirmed that most invoicing teams are not aware of the Income Collection and Debt Management Guidance, which was identified to be not version controlled, and that the date of production, the producer and next review date were not included on the document.

Summary of findings (5 of 6)

3) Oversight, accountabilities and roles and responsibilities

A key recurring theme across audits conducted was that roles, responsibilities and reporting lines were not consistently defined or understood, and that training for staff was not consistently provided. This can lead to gaps in delivery and oversight, which may result in the duplication of tasks, or gaps in the key processes, as well as the performance of the service not being exposed to sufficient scrutiny and therefore outcomes may not be maximised.

Examples noted in the course of our testing

Highways programme – Re Officers and Managers book hours to timesheets which is later used to support hours worked on Special Projects and demonstrate to the Council costs incurred by Re; however, there were no arrangements in place to ensure that timesheets submitted by Re were accurate and complete.

Cash and Bank - Roles and responsibilities relating to the management – authorisation and monitoring – of direct debits were unclear. For instance, Finance review of direct debits - to ensure their ongoing validity - had not been undertaken since September 2018 (13 months).

Pension Fund Finance and Investment - CSG Pensions Finance team could not check whether contributions had been deducted in line with the Rates and Adjustments Certificate, as it did not obtain information that would allow it to do so, and did not track whether lump sum contributions required under the Rates and Adjustments Certificate have been paid, leading to an annual, manual exercise being required to review this. This may lead to contributions due not being received, leading to a loss to the Fund.

Domestic Violence – It was understood that the Corporate Information Sharing Register indicates that all 12 of the Community Safety team's Information Sharing Agreements were overdue for review, and are out of date and unfit for purpose. If Community Safety ISAs are overdue for review, then there is a risk that the data being shared by the Community Safety team with partner organisations may be in breach of relevant data protection legislation. In addition, the Community Safety team had not had an Information Management Governance Group (IMGG) in place for several months. If the Community Safety Service continues to operate without an IMGG, then potential risks relating to compliance with relevant data protection legislation may not be flagged to the team.

Adults Safeguarding – Several issues noted in relation to Safeguarding training, including: i) There is currently no single list of minimum training that should be completed by officers; ii) Whilst attendance lists for training were kept and retained on file, there was no single record of staff attendance at training courses and there was a lack of detective controls to alert management when training requirements had not been met; and iii) approximately 70% of the current staff within Adults and Health had not completed the Safeguarding Level 1 eLearning, a mandatory training requirement.

Disabled Facilities Grant – It was noted that although there was a flowchart outlining the end-to-end process for administering the DFG, there were no formal policy and procedure documents in place containing the roles and responsibilities of relevant officers across the departments involved in the DFG process.

Summary of findings (6 of 6)

4) Systems access

As the Council relies heavily on its key systems, including Integra and Mosaic, the processes for authorising and enabling access to these systems is particularly important given the risks that arise if inappropriate user access is obtained and/ or users not removed appropriately and in a timely manner. These risks could include individuals gaining access to unauthorised and/or sensitive information, an increased risk of fraud and error, and unauthorised or inappropriate changes being made without these activities being detected.

The findings around leavers not having been removed from Council systems promptly have associated actions which remain in progress as they are linked to the wider SLaM (Starters, Leavers and Movers) project being led on by HR. Therefore, until that project is delivered, additional compensating controls continue to be required.

Examples noted in the course of our testing

Mosaic Application Review – Issues relating to Mosaic included: i) There are two generic user accounts in use. Following investigation one of these needs to be disabled and the controls in place regarding use of the second should be documented; ii) User access reviews are not performed on a formal periodic basis. Two scenarios identified where inappropriate access existed (Leavers and Duplicate Accounts), which could have been prevented through the use of a periodic User Access Review; iii) Changes can currently be implemented by the two maintenance and support vendors and/or the business systems team within the Service. Users with ‘Developer Access’ can access both the development and production environments. This applies to vendors and business systems teams. This can increase the risk of unauthorised or inappropriate changes being made to the system; and iv) 6/25 (24%) of new users and movers tested did not have evidence of DBS checks being performed before being given system access. Management confirmed that after reviewing the 6 instances, all the individuals had had DBS checks completed however the box to confirm this had not been ticked within Mosaic.

Cash and Bank – Issues noted including a review of the Council’s financial system Integra’s end user access list, which showed two active accounts for officers who had left, five end users that did not require access and five officers who had access where this was considered unnecessary given their role in the organisation. A review of PAY360 (the Council’s Income Management and cash/cheque receipting system) confirmed the use of a shared account at supervisor level, which could be used by seven users in the IT Applications Team. The use of shared accounts is inherently risky owing to the inability to identify the specific officer undertaking processing/ updates to the system.

General Ledger - During fieldwork, we identified that four leavers had not been deactivated from Integra, the Council’s finance system.

Internal audit work conducted (1 of 5)

Introduction

We completed 43 non-schools audits and advisory reviews in the year ending 31 March 2020. The table below sets out the results of our internal audit work and implications for next year's plan. This is followed by a summary of the direction of travel shown.

Results of individual assignments – No Assurance

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Highways programme	No	-	6	-	-	-
Total	1	-	6	-	-	-

Results of individual assignments - Limited Assurance

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Banking & Payment Arrangements – Accounts Payable	Limited	-	2	4	1	-
Accounts Receivable	Limited	-	1	6	1	-
Banking & Payment Arrangements - Cash & Bank	Limited	-	-	7	1	-
Pension Fund Finance and Investment	Limited	-	2	1	1	-
Mosaic – Application Review	Limited	-	1	3	-	-
Total	5	-	6	21	4	-

Internal audit work conducted (2 of 5)

Results of individual assignments - Reasonable Assurance / Partially Implemented

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Domestic Violence	Reasonable	-	1	2	1	-
Adults Safeguarding	Reasonable	-	1	2	-	1
Disabled Facilities Grant	Reasonable	-	-	5	1	-
General Ledger	Reasonable	-	-	4	1	-
Estates Project Management	Reasonable	-	-	3	4	-
Non-Schools Payroll	Reasonable	-	-	3	3	-
Revenue Budget Monitoring	Reasonable	-	-	4	-	-
Brent Cross Cricklewood – Regeneration - Financial Controls	Reasonable	-	-	3	2	-
Council Tax	Reasonable	-	-	3	2	-
IT Cost Infrastructure	Reasonable	-	-	3	2	-
Re Operational Review follow-up	Partially Implemented	-	1	-	-	-
Teachers' Pensions	Reasonable	-	1	-	-	-
Housing Benefit	Reasonable	-	-	3	-	-
Public Health - compliance with grant conditions	Reasonable	-	-	3	-	-
Schools Payroll	Reasonable	-	-	2	3	-
Better Care Fund	Reasonable	-	-	2	1	-
MTFS Assurance Process	Reasonable	-	-	2	1	-
National Non-Domestic Rates (NNDR)	Reasonable	-	-	1	2	-
Follow-Up of CFO Financial Controls review	Partially Implemented	-	-	-	-	-
Follow up of IT Strategy Audit	Partially Implemented	-	-	-	-	-
Pensions Administration Follow-Up	Partially Implemented	-	-	-	-	-
Total	21	-	4	45	23	1

Internal audit work conducted (3 of 5)

Results of individual assignments – Substantial Assurance

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Theme Committee Priorities – Benefits Management	Substantial	-	-	2	-	1
Treasury Management - Compliance with Investment Strategy	Substantial	-	-	1	1	-
Passenger Transport Service (PTS) Health & Safety	Substantial	-	-	1	-	-
Total	3	-	-	4	1	1

Results of individual assignments – claim and grant verification

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Troubled Families - Payment by Results – June submission	Claim verified	Compliance audit – ratings not assigned				
Private Treaty Agreements (PTAs) Follow-Up	Claim verified	Compliance audit – ratings not assigned				
Strategic School Improvement Fund Grant	Claim verified	Compliance audit – ratings not assigned				
Local Transport Capital Block Funding	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - Payment by Results - June submission	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - Payment by Results - September submission	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - Payment by Results - January submission	Claim verified	Compliance audit – ratings not assigned				
Local Authority Bus Subsidy Grant	Claim verified	Compliance audit – ratings not assigned				
Family Services – Financial Policies and Procedures	No assurance rating	Compliance audit – ratings not assigned				
Total	9					

Results of individual assignments – management letters

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Investing in IT – Lessons Learned (Portfolio and Project Management)	Management letter issued	Associated actions agreed				
General Data Protection Requirements (GDPR)	Management letter issued	No significant issues noted				
Data Protection Review – Compliance with GDPR	Management letter issued	No significant issues noted				
Risk Management Framework Compliance	Management letter issued	No significant issues noted				
Total	4					

Internal audit work conducted – Summary (4 of 5)

Direction of travel

The following page shows direction of control travel and a comparison of planned and actual internal audit activity.

Report rating	Trend between current and prior year	Number of reports		
		2019/20	2018/19	2017/18
Substantial		3 (10%)	2 (8%)	4 (14%)
Reasonable		21 (70%)	16 (67%)	17 (61%)
Limited		5 (17%)	4 (17%)	7 (25%)
No assurance		1 (3%)	2 (8%)	0 (0%)
Advisory / compliance	N/A	13 (N/A – not rated)	17 (N/A – not rated)	21 (N/A – not rated)
Total		43	41	49

There has been a decrease in the number of advisory reviews carried out in 2019/20 in comparison with 2018/19. If we followed the approach used in the 2017/18 annual opinion, which included advisory and compliance reviews in the breakdown by percentage of report ratings, this would distort the trend analysis. To avoid this, advisory pieces reported on through management letters and compliance audits have been excluded from the analysis above for the purposes of calculating the percentage of audits with a given rating. The prior year percentages have been recalculated on the same basis to ensure comparability.

2019/20 audits not yet completed

Audit title	Draft report classification
18-25 Service Budget	No assurance rating due to nature of report
Cambridge Education Assurance Mapping	No assurance rating due to nature of report
Housing Benefits	TBC
Land Charges - Review of planning data controls & policies	TBC
Regulation of Investigatory Powers Act (RIPA) – follow-up of action plan	TBC
Procurement - compliance with Contract Procedure Rules (CPRs)	TBC
Integra Issue Management	TBC
Parking Penalty Charge Notices	TBC
Decision making framework - compliance	TBC
Waste Health & Safety	TBC
Troubled Families 2019/20 Q4	TBC

Due to the impact of COVID-19 in March 2020, and the Council's priority being the delivery of critical frontline services, there was an impact in managing and closing out the delivery of some reviews in the period, as it affected the availability of audit stakeholders and also led to the redeployment of Internal Audit staff to delivering these services. A number of reviews scheduled to be finalised by 31 March 2020 are therefore still being completed. These findings will be included in the 2020/21 opinion and have not been included in the analysis of internal audit work conducted in 2019/20.

Internal Audit work conducted – Added Value (5 of 5)

Added Value

In addition to providing risk-rated assurance reports and management letters, Internal Audit has also provided the following value adding activities:

- COVID-19 – Internal Audit issued guidance to Council officers on Interim Control Arrangements for the COVID period. This was shared with colleagues at other boroughs through the London Audit Group and also with The Barnet Group.
- COVID-19 - As part of the response to COVID-19, four members of the Internal Audit team were redeployed to the Essential Supplies Hub to help with the distribution of food packages to those in need within the Borough. Two members of the team were redeployed to support the Community Help Hub, responding to queries and calls for urgent support from residents.
- Internal Controls Board – The introduction of the Internal Controls Board has led to improved engagement on the implementation of audit actions, supporting continuous improvement at the Council.
- Follow-ups Approach – During 2019/20 we started to follow-up a sample of medium priority actions, primarily focussed on finance and strengthening anti-fraud controls.
- Cross Council Assurances Service (CCAS) - The Internal Audit team is a lead participant for CCAS and regularly attends Governance Group and Networking Day meetings. The Internal Audit team works closely with other member boroughs to harmonise working practices and templates and share good practice in local government internal audit. In 2019/20, London Borough of Barnet was the Lead Borough for the Framework re-procurement and from 2020/21 onwards will receive income of 1% of the value of work going through the Framework nationally.
- Elections – Internal Audit have provided ongoing quality assurance over the processes within the Council's Elections team, as well as a key member of the Internal Audit team being seconded over to Elections to support the busy 6 week period prior to election day.
- Summary reports - Internal Audit's summary report for Schools, included in the Schools Circular, helps to contribute to various improvements, including: helping to identify potential areas of risk or opportunities; helping school governors to better understand the need for appropriate oversight; and helping Council services assess the appropriate level of support and guidance required for schools in the areas where concerns have been identified.
- Process mapping – As part of the audit of the Disabled Facilities Grant, the internal audit team documented a flowchart of the entire DFG process which involves a number of different teams across the Council and within Re.
- Ad hoc advice – Internal Audit has responded to ad hoc requests for advice during the year, for example being involved in agreeing acceptable exceptions to standard Accounts Payable processes.
- London Councils Apprenticeship Awards – our Internal Audit & CAFT Apprentice received a Highly Commended award for Best Progression as an Apprentice.

Corporate Anti-Fraud Team (CAFT) work conducted (1 of 3)

Corporate Anti-Fraud Team

These tables show the successful outcomes by the Corporate Anti-Fraud Team:

Corporate Fraud	2019/20	2018/19
Number of cases dealt with	102	123
Number of cases closed	75	100
Number of staff no longer employed/ dismissed as a result of CAFT investigation	2	4
Number of on going investigations	27	23
Disabled Blue Badge Misuse and Fraud	2019/20	2018/19
Number of cases dealt with	347	412
Number of cases closed after successful prosecution	37	69
Number of cases closed with Cautions being Administered	74	109
Number of cases closed with a warning letter sent to badge holder or misuser	94	83
Number of cases closed fraud proven but no further action taken	4	10
Number of cases closed referred to police	1	0
Number of cases closed due to insufficient evidence	56	54
Cases closed, No Fraud	7	13
Number of on going investigations	74	74

Financial Investigations	2019/20	2018/19
Number of cases dealt with	29	30
Number of closed Financial Investigations	3	8
Number of on going investigations	26	22
Tenancy Fraud	2019/20	2018/19
Number of cases dealt with	496	558
Number of cases closed property recovered	34	53
Number of Tenancy cases closed no fraud	219	249
Number of Housing Applications refused because of CAFT verification process	5	3
Number of mutual exchanges/ assignments prevented and refused	2	2
Number of Right to Buy cases closed due to application being denied	27	41
Number of Right to Buy closed -validated	127	111
Number of on going investigations	85	99

Whistleblowing referrals

No whistleblowing allegations were received which is a reduction from the previous year (18/19: 4).

Corporate Anti-Fraud Team (CAFT) work conducted (2 of 3)

Corporate Anti-Fraud Team

Please see below for financial awards for the Corporate Anti-Fraud team.

Financial Investigations	2019/20	2018/19
Proceeds of Crime recovery amounts received	£2,313,388	£1,412,537
Amount allocated to prosecuting authority (LBB)	£1,857,421	£628,441
LBB amount	£158,283	£157,234
Re amount (Shah case)	£1,515,518	£242,849
Re amount (planning cases)	£33,040	£54,140
Other LA's amounts	£150,000	£242,007

Under the Governments incentivisation scheme funds confiscated from criminals are shared as follows:

- 50% is allocated to the treasury
- 12.5% is allocated to the courts
- 1% is taken by the asset recovery
- 36.5% is allocated to the investigating and prosecuting authority

During 2019-20 the financial investigation on the Shah case continued and by using a wide range of powers authorised under the Proceeds of Crime Act the CAFT specialist financial Investigators were extremely effective by recovering £1,698,218.64 to compensate Capita's insurers. The specialist investigators initiated a painstaking process referred to as 'follow the Money' and were able to trace the funds to a number accounts held with gambling establishments in off shore locations such as Malta and Gibraltar. The identified entities were then contacted using communication lines through the UK's Gambling Commission. As a result of this the London borough of Barnet was able to enter into negotiations with these entities and were successful in having settlement agreements put in place. It should be noted that these actions have not been implemented by any other local authority as a method of recovery. The final recovery actions allowed CAFT to secure £182,000 via PoCA confiscation orders and a further £1,516,000 via compensatory financial Settlement Agreements thereby reducing the loss from £2.063 million to less than £365,000.

Corporate Anti-Fraud Team (CAFT) work conducted (3 of 3)

Corporate Anti-Fraud Team

Case studies

Below some case studies outline the successful outcomes of the Corporate Anti-Fraud team.

Fraud by Capita employee working as a Senior Pensions Administrator at Capita Darlington Office

In May 2019, Capita during the collation of standard transaction reports to support the 2018-19 LBB Pension Fund identified unusual payments. Further scrutiny of these transactions led Capita to suspect that these were possible fraudulent transactions and referred their concerns to LBB/CAFT, who initiated a criminal and financial investigation.

Scrutiny of the pensions systems identified that the defendant had created these payments and authorised them using a secondary user profile in his name. By having two user profiles linked to the system the defendant was able to bypass the systems 'role segregation rules'.

In total 7 fraudulent payments were made. The total fraudulent amount paid in over this period was £70,596.62.

The defendant was suspended from his employment on 8th May 2019 and subsequently resigned from his post. He was arrested on 22 May 2019. The defendant was interviewed under caution by CAFT officers. He provided 'no comment' replies to all questions put to him.

On 14th January 2020 the defendant appeared at Harrow Crown Court and pleaded guilty to one offence contrary to section 4 Fraud Act 2006 (Abuse of position). A timetable has been set for Proceeds of Crime actions to be completed by 28th April 2020 to fully establish and recover remaining Proceeds of Crime funds.

Blue Badge Prosecutions

Case 1 relates to the use of a stolen blue badge on two separate occasions, the defendant was found guilty on 11 June at Willesden magistrates court of two offences under the Road Traffic Regulation Act 1984 and was sentenced to a fine of £1000 and ordered to pay costs to the sum of £500 and £50 victim surcharge.

Tenancy Fraud Investigations

Miss B had a three bedroom house in Mill Hill. A referral was received from Barnet Homes who had concerns that the tenant was possible living abroad. A CAFT investigation was started and the evidence obtained confirmed the tenant had been living in Uganda for the past 5 years. Further investigation found that the tenant had passed away while in Uganda. An application from her daughter to succeed the tenancy was submitted as it was claimed she was still living in the property and that she could take over the tenancy. CAFT identified that the daughter was also living abroad and therefore had no succession rights to the property. The matter was passed to our legal team and went to civil court where outright possession was granted and an eviction took place to recover the property.

Corporate investigations – School admissions

Case 1 relates to an allegation of a school application that had been made where a family moved from an address to a rented property within the catchment area. The family still had control of the original property and intended to move back to that property after the school place had been allocated to their child. Enquiries were made at the rented address and the family confirmed as living there and stated they had sold the other address. On reviewing the sale, it appeared that the property was bought by a family member and the rented accommodation was owned by the same family member's company. Due to the findings of this investigation, the school Admissions department have determined that on the balance of probabilities the family are likely to move back to the larger property once the child is attending the new school. They therefore withdrew the school place.

Summary of schools audits (1 of 3)

Results of individual audits

In line with the Scheme of Financing Schools, the Chief Finance Officer is required to deploy internal audit to examine the control frameworks operating within schools under the control of the Local Education Authority (“LEA”). In 2019/20, Internal Audit performed 23 school visits and undertook 4 follow-up reviews. At the year end 4 reports had still to be agreed by the school due to COVID-19. The results of the work are reported in the table below and in the section of this report entitled **Follow-up work conducted**.

Review	School type	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Menorah Foundation School	Primary	Limited	-	2	5	3	-
St Michael’s Catholic Grammar School	Secondary	Limited	-	1	6	3	-
St Mary’s CE School EN4	Primary	Reasonable	-	1	2	2	-
Monkfrith School	Primary	Reasonable	-	-	5	2	-
St Theresa’s Catholic Primary School	Primary	Reasonable	-	-	4	2	-
Underhill School	Primary	Reasonable	-	-	3	1	-
Manorside School	Primary	Reasonable	-	-	4	2	-
Pavilion School	PRU	Reasonable	-	-	4	1	-
Brookhill/ St Margaret’s/Hampden Way Nursery Schools	Nursery	Reasonable	-	-	6	1	-
Annunciation Infant School	Primary	Reasonable	-	-	4	1	-
Mathilda Marks Kennedy Primary School	Primary	Reasonable	-	-	4	1	-
Northgate School	PRU	Reasonable	-	-	6	1	-
St Catherine’s Catholic Primary School	Primary	Reasonable	-	-	4	1	-
Foulds School	Primary	Reasonable	-	-	3	1	-
Annunciation Junior School	Primary	Reasonable	-	-	4	2	-

Summary of schools audits (2 of 3)

Results of individual audits

Review	School type	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Holly Park School	Primary	Reasonable	-	-	4	3	-
Akiva School	Primary	Reasonable	-	-	3	1	-
Blessed Dominic School	Primary	Substantial	-	-	1	3	-
Martin School	Primary	Substantial	-	-	1	2	-
Sunnyfields School	Primary	Substantial	-	-	-	-	-
	Total	20	-	4	73	33	-

Summary of schools audits (3 of 3)

Direction of travel

Report rating	Trend between current and prior year	Number of reports		
		2019/20	2018/19	2017/18
Substantial		3 (15%)	4 (17%)	4 (17%)
Reasonable		15 (75%)	16 (70%)	18 (75%)
Limited		2 (10%)	3 (13%)	2 (8%)
No assurance		0 (0%)	0 (0%)	0 (0%)
Total		20	23	24

It should be noted that schools are audited on a cyclical basis and the prior period figures relate to different schools.

Each school will be audited on a three to five year cycle, depending on a risk assessment of that school, unless the circumstances of a school require an audit on a more frequent basis.

High priority recommendations made in all school audit reports are followed up to ensure that they have been implemented within agreed timeframes.

Commentary

The results of schools audits highlighted generally sound financial management practices with few significant issues identified around financial controls and budget monitoring.

The largest number of issues were identified in the areas of Asset Management, Payroll, Purchasing and our review of the Schools Financial Value Standard (SFVS) return.

Asset Management: no inappropriate use of assets was noted in the year, however asset registers were often not up to date.

Payroll: Audit checks include looking at recruitment procedures. Proof that references had been taken for staff at recruitment could not be found for selected staff. A small amount of additional pay could not be verified to authorised filed timesheets. Some schools could not prove what checks had been made on payroll reports.

Purchasing: most recommendations related to the use of school debit or credit cards. Evidence of prior independent authorisation of debit/credit card purchases and related audit trails to allow a credit/debit card purchase to be traced from ordering through to payment were not retained consistently by schools for our review.

School Financial Value Standard (SFVS) review: we were unable to confirm Governor review of benchmarking of financial data against similar schools, and an up to date declaration of business interests from some staff, in some schools.

Follow up work conducted (1 of 5)

Introduction

In order for the organisation to derive maximum benefit from internal audit, agreed actions should be implemented. In accordance with our internal audit charter, we followed up all high priority and, unlike in previous years, a sample of **medium** priority recommendations made in prior years that remained outstanding and those raised in the current year to ascertain whether appropriate action had been taken. The table on the following pages summarises the follow up work performed, listing the audits in chronological order.

During the year the target of 90% of high/medium priority recommendations being implemented was not met. For 2019-20, **118/156 =76%** of actions (previous year 82%) were implemented in year. The deterioration compared to the previous year can likely be attributed to the impact of Covid 19 on overall Council delivery and the capacity to address audit findings in Q4.

At the beginning of Q4 we started to follow up work on high priority actions with an implementation date of 31st March 2020 or sooner. We began discussions with management on the progress made in implementing actions falling due in this period and began to seek evidence to support their response. A total of 10 high priority actions and 55 medium priority actions should have been followed up in Q4.

However, due to the COVID-19 response we were unable to reach a conclusion on 7 of the high and 38 of the medium actions during Q4, either due to staff being unable to respond to us or due to Internal Audit staff redeployment meaning that audit work that had commenced could not be completed. Therefore, in Q4 we reported merely the number of actions that we were able to conclude had been implemented. The other actions will be concluded upon as soon as is practicable; this work is now being undertaken as part of the 2020/21 Internal Audit plan. We will discuss with individual services where previously agreed deadlines may need to be extended to allow services to resume 'business as usual' activity post the COVID-19 response.

The risk rating of the associated risk on the Council's risk register, AG020, remained at 16 at the end of the year until there is evidence that improvement has been sustained.

Quarterly performance against Follow-ups target of 90%

Quarter	% of high and medium priority actions implemented within agreed timeframe	
	Based on revised targets	Based on original due date
1	20/24 = 83% based on revised targets	1/24 = 4% based on original due date
2	31/41 = 76% based on revised dates	28/41 = 68% based on original dates
3	n/a (33/47 = 70% based on original), no implemented actions with revised dates	33/47 = 70% based on original dates
4	19/44 = 43% based on revised dates	14/44 = 36% based on original dates

Follow up work conducted (2 of 5)

Audit title	Number of agreed actions	Status of agreed actions at 31 March 2020			
		Implemented	Ongoing	Outstanding	Not yet due
Pensions Admin January 2018 – remaining actions carried over for testing from 2018-19 Q1	2H 2M	2H (in time based on revised target date) 2M (in time based on revised target date)			
Banking and Payment Arrangements – Treasury, November 2018 Q1	1H	1 H (in time based on revised target date)			
Equalities data - quality and analysis November 2018 Q1	3H	1 H (in time based on revised target date)	2H		
Schools Payroll February 2019 Q1	2H	2H (in time based on revised target date)			
Onboarding June 2018 Q1	1H	1H (in time based on revised target)			
Temporary and Interim Workforce May 2018 Q1	11H	11H (in time based on revised target)			
Review of Depot arrangements June 2018 Q1	1H	1H (in time based on revised target)			

Follow up work conducted (3 of 5)

Audit title	Number of agreed actions	Status of agreed actions at 31 March 2020			
		Implemented	Ongoing	Outstanding	Not yet due
Community Infrastructure Levy (CIL) and Section 106 (S106) Agreement Follow Ups January 2019 Q1	1H	1H (in time)			
Pension Fund Finance and Investment July 2019 Q2	5H 5M	4H (in time) 4M (missed) 1M (in time)	1H		
Integra Access and Program Change Management (“APCM”) December 2018 Q2	1H 2M	2M (missed)	1H		
Investing in IT Lessons Learned (Portfolio and Project Management) May 2019 Q2	4H	3H (in time)	1H		
Re 2018/19 Follow up of 2016/17 Operational Review May 2019 Q2	1H	1H (in time based on revised target date)			
Highways Programme August 2019 Q2	19H	16H (in time) 2H (in time based on revised target date)	1H		
Hasmoneon Primary School May 2019 Q2	1H	1H (in time)			

Follow up work conducted (4 of 5)

Audit title	Number of agreed actions	Status of agreed actions at 31 March 2020			
		Implemented	Ongoing	Outstanding	Not yet due
Accounts Payable, October 2019 Q3	9H 14M	5H (in time) 3H (in time based on revised target date) 7M (in time) 4M (in time based on revised target date)	1H 3M		
Domestic Violence November 2019 Q3	3H 3M	2H (in time) 1M (in time) 2M (in time based on revised target date)	1H		
Accounts Receivable - Debt Management and Collection Q3	3M	1M (missed)	2M		
Mosaic Application Review December 2019 Q3	3H	3H (in time)			
Menorah Foundation June 2019 Q3	8H	8H (in time)			
St. Michael's Catholic Grammar July 2019 Q3	6H 1M	6H (in time) 1M (in time)			
Private Treaty Agreements Q3	3M	3M (missed)			

Follow up work conducted (5 of 5)

Audit title	Number of agreed actions	Status of agreed actions at 31 March 2020			
		Implemented	Ongoing	Outstanding	Not yet due
Key Financial controls Council Tax, NNDR and Housing Benefits (Q4)	3M	1M (missed)	2M		
Accounts Receivable - Invoicing processing (Q4)	1H 17M	10M (in time)		1H (TBC / Covid delay) 7M (TBC / Covid delay)	
Cash and Bank (Q4)	20M	4M (in time) 1M (missed)		15M (TBC / Covid delay)	
Total	83H 73M ----- 156	74H 44M ----- 118	8H 7M ----- 15	1H 22M --- 23	

118/156=76% implemented in year against a target of 90%. Implementation in Q4 was affected by the impact of COVID-19.

Appendices

Appendix 1: Limitations and responsibilities

Appendix 2: Opinion types

Appendix 3: Basis of our classifications

Appendix 4: Performance of Internal Audit

Appendix 5: Changes to the 2019/20 published plan

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor's work

Our work has been performed subject to the limitations outlined below.

Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to Barnet Council is for the period 1 April 2019 to 31 March 2020. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix 2: Opinion types

The table below sets out the four types of opinion that we use, along with an indication of the types of findings that may determine the opinion given.

Type of opinion	Indication of when this type of opinion may be given
Substantial assurance	<ul style="list-style-type: none"> A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and None of the individual assignment reports have an overall report classification of either high or critical risk.
Reasonable assurance	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are not significant in aggregate to the system of internal control; and/or High risk rated weaknesses identified in individual assignments that are isolated to specific systems or processes; and None of the individual assignment reports have an overall classification of critical risk.
Limited assurance	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or High risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or Critical risk rated weaknesses identified in individual assignments that are not pervasive to the system of internal control; and A minority of the individual assignment reports may have an overall report classification of either high or critical risk.
No assurance	<ul style="list-style-type: none"> High risk rated weaknesses identified in individual assignments that in aggregate are pervasive to the system of internal control; and/or Critical risk rated weaknesses identified in individual assignments that are pervasive to the system of internal control; and/or More than a minority of the individual assignment reports have an overall report classification of either high or critical risk.
Disclaimer opinion	<ul style="list-style-type: none"> An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either: <ul style="list-style-type: none"> Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

Appendix 3: Basis of our classifications (1 of 3)

Overall report classification

The report classification is determined by allocating points to each of the findings included in the report and adding them together (see next slide for details of how points are allocated to individual findings).

Finding rating	Points	Assessment rationale
 No assurance	40 points or more	<ul style="list-style-type: none"> There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
 Limited assurance	18-39 points (non-schools) 20-39 (schools)	<ul style="list-style-type: none"> There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
 Reasonable assurance	7-17 points 7-19* (schools)	<ul style="list-style-type: none"> An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere. <p>* For schools audits the threshold for moving into Limited Assurance is higher (19 points as opposed to 17 points). This is because there are 17 different audit scope areas in a schools audit making it possible to accumulate a high number of points through Low priority findings. Our analysis of past reports has shown that this would lead to a disproportionate increase in the number of schools receiving a Limited Assurance rating under the points based system.</p>
 Substantial assurance	6 points or less	<ul style="list-style-type: none"> There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.

Appendix 3: Basis of our classifications (2 of 3)

Individual finding ratings

The report classification is determined by allocating points to each of the findings included in the report according to the scoring matrix below.

Finding rating	Points	Assessment rationale
 Critical	40 points per finding	<ul style="list-style-type: none"> Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance. Mass strike actions etc Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers. Cessation of core activities, Strategies not consistent with government's agenda, trends show service is degraded. Failure of major Projects – elected Members & SMBs are required to intervene Major financial loss – Significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council; Critical breach in laws and regulations that could result in material fines or consequences.
 High	10 points per finding	<ul style="list-style-type: none"> Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff. Significant impact on the reputation or brand of the organisation; Scrutiny required by external agencies, Audit Commission etc. Unfavourable external media coverage. Noticeable impact on public opinion Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome med – term difficulties. High financial loss Significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
 Medium	3 points per finding	<ul style="list-style-type: none"> Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff. Moderate impact on the reputation or brand of the organisation; Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage. Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service action will be required. Medium financial loss - Small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences
 Low	1 point per finding	<ul style="list-style-type: none"> Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale Internal Review, unlikely to have impact on the corporate image. Minor impact on the reputation of the organisation Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines. Minimal financial loss – Minimal effect on project budget/cost. Minor breach in laws and regulations with limited consequences
 Advisory	0 points per finding	<ul style="list-style-type: none"> An observation that would help to improve the system or process being reviewed or align it to good practice seen elsewhere. Does not require a formal management response.

Appendix 3: Basis of our classifications (3 of 3)

Individual finding ratings – schools audits

Simplified descriptions are used within Schools audit reports as the issues that are typically raised in school audit reports do not correspond with the descriptions used for non-schools audits.

Finding rating	Points	Assessment rationale
 Critical	40 points per finding	• Critical issue where action is considered imperative. Action to be effected immediately.
 High	10 points per finding	• Fundamental issue where action is considered imperative to ensure that the School is not exposed to high risks, also covers breaches of legislation and policies and procedures. Action to be effected within 1 to 3 months.
 Medium	3 points per finding	• Significant issue where action is considered necessary to avoid exposure to risk. Action to be effected within 3 to 6 months.
 Low	1 point per finding	• Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 to 12 months.
 Advisory	0 points per finding	• An observation that would help to improve the system or process being reviewed or align it to good practice seen elsewhere. Does not require a formal management response.

Appendix 4: Performance of internal audit

Key performance indicators

We agreed a suite of Key Performance Indicators (KPIs) with management and the Audit Committee. Our performance against each KPI is shown in the table below. These highlight the focus of our work and the standard attained:

KPI	Target	Performance	Comments
Effectiveness			
• % of recommendations accepted	98%	100%	Target achieved
• % of critical, high and medium* risk recommendations implemented	90%	76%	Target partially achieved
Efficiency			
• % of plan delivered	95%	89%	Target partially achieved
<p>Note: This was the % delivered by 31st March 2020 as reported in the Q4 Progress report. Delivery was adversely affected by COVID-19 in March 2020. Findings from audits completed since year end have been included within this Opinion where the majority of fieldwork had been completed in 2019/20.</p>			
Quality of Service			
• Average auditee satisfaction score	85%	100%	Target met

* Note that only a sample of medium risk recommendations, not all, are followed up to confirm implementation

Quality assurance and improvement programme

In line with the Public Sector Internal Audit Standards, we undertook a self-assessment of compliance with the Standards during the year.

No significant compliance issues were noted for reporting to the Audit Committee.

As part of the work to improve engagement with officers across the Council, we filmed a light-hearted video 'Dispelling the myths of Internal Audit' which was well received and is available to view on the Council's intranet.

Appendix 1: Limitations and responsibilities

Appendix 2: Opinion types

Appendix 3: Basis of our classifications

Appendix 4: Performance of internal audit

Appendix 5: Changes to the 2019/20 published plan

Appendix 5: Changes to the 2019/20 published plan

The 2019/20 Internal Audit plan was approved by the Audit Committee in May 2019. There have been a number of changes to the plan since the date of approval. These have been reported to the Audit Committee within the quarterly progress reports but a summary of all changes made throughout the year is included in the table below.

Review	Change	Reason
18-25 Service Budget Monitoring	Added	At request of Family Services
Local Counter-Fraud Hub – review of effectiveness	Cancelled	Cancelled as LCFH plans not yet confirmed
Public Health Grant – Follow-up Review	Cancelled	Cancelled as initial audit report only finalised in Q3 and no high priority actions identified
Integrated Commissioning for Better Outcomes	Cancelled	Cancelled as agreed with Adults & Health no longer a significant concern; also, a number of other audits providing assurance over Adults (BCF, Mosaic, 18-25, Safeguarding, Direct Payments)
Refuse Collection	Cancelled	Cancelled due to urgent relocation of depot
Data Management Procedures (IT Governance)	Cancelled	Cancelled as agreed with IT due to cost implications with CSG and LBB IT performing this review in-house in 2019/20
Performance Management Framework	Merged	Merged into Theme Committee Priorities audit
Trade Waste Invoicing	Merged	Merged into Accounts Receivable audit
Brexit Preparedness Response / Deep Dive	Deferred	Deferred to Q1 of 2020/21 as agreed with Commercial team
Brent Cross - Placeholder	Deferred	Deferred pending confirmation of scope of the Infrastructure and Projects Authority's audit
Direct Payments	Deferred	Deferred to Q1 of 2020/21 as agreed with Customer Finance team
Highways Health and Safety	Deferred	Deferred to early 2020/21 as agreed with the service to enable them to focus on improvement plan
Conduct Standards – Compliance	Deferred	Deferred as audit to be undertaken by Finance graduate trainee after finance restructure
Transformation - Barnet 2024	Deferred	Deferred to Q3 of 2020/21 as agreed with Growth & Corporate Services team