



## Audit Committee

14<sup>th</sup> July 2020

<b>Title</b>	<b>Internal Audit Exception Recommendations Report and Q4 Progress Report 1<sup>st</sup> January to 31<sup>st</sup> March 2020</b>
<b>Report of</b>	Caroline Glitre – Head of Internal Audit
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	<b>Appendix 1</b> - Internal Audit Q4 progress report (1 <sup>st</sup> January to 31 <sup>st</sup> March 2020)
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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.

Members are also asked to note the impact of the Council's response to the COVID 19 crisis on the delivery of the plan in quarter 4. During March 2020 planned internal audit work was impacted by the Council's response to the COVID-19 crisis. The internal audit team prioritised responding to requests for advice and support and issued guidance on Interim Control Arrangements for the COVID19 Pandemic Period.

Internal Audits that were underway in Q4 were delayed due to a number of factors: officers being unable to support the audits, Internal Audit staff being redeployed to support the COVID-19 response and staff displaying COVID-19 symptoms. The outstanding audit work, which is at varying stages of completion, is being undertaken at the earliest opportunity, bearing in mind the competing priorities faced by the Council and its partners. The 2020/21

Internal Audit plan incorporates the completion of the audit work that was underway as part of delivering the 2019/20 Internal Audit plan.

During quarter 4 the service completed 12 reviews. There were no reports issued with a 'No' or 'Limited' Assurance rating in this quarter.

**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. Work to complete these actions has been adversely affected due to competing priorities in response to the COVID-19 situation.

GT ref	GT finding	Priority	Status
GT4	Managing access and authorisation rights on IT systems	High	In Progress
GT20	Capital Budget Review	Medium	In Progress

**High and Medium Priority follow-ups**

At the beginning of Q4 we started to follow up work on high and medium 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 and 55 medium priority actions should have been followed up this quarter.

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, this quarter we have reported merely the number of actions we have been able to conclude have been implemented, as opposed to performance against what is normally a 90% target for implementation.

The other actions will be concluded upon as soon as is practicable; this work will now be 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.

In Q4 we have confirmed the following:

High priority actions:	Total	Completed	To be confirmed
Total Number of Actions	10	3	7

Medium priority actions	Total	Completed	To be confirmed
Total Number of Actions	55	17	38

### **Cross-Council Assurance Service (CCAS) procurement**

During Q4 the procurement exercise for CCAS was completed, with Barnet leading the process on behalf of a number of other London boroughs. The Framework contract was awarded to PwC for Internal Audit, Advisory and Anti-Fraud and Mazars for Risk Management. As the contract manager, Barnet will receive a 1% contract management fee for all invoiced work going through the Framework, which has a maximum OJEU limit of £50m over the contract term.

### **Recommendations**

- 1. That the Committee note the work completed to date on Internal Audit Q4 progress report - 1<sup>st</sup> January to 31<sup>st</sup> March 2020.**

#### **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 and medium 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 states that the Committee has responsibility:

'To 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 decision

## 5.8 Consultation and Engagement

- 5.8.1 N/A

## 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>