



## Audit Committee

19 October 2020

<b>Title</b>	<b>Internal Audit Exception Recommendations Report and Phase 1 Progress Report 1st April to 30th September 2020</b>
<b>Report of</b>	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 Phase 1 progress report (1 <sup>st</sup> April to 30 <sup>th</sup> September 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 2020-21 and high and medium priority internal audit recommendations. Following the return to 'Business as usual' by the majority of the Internal Audit Team in July, work has concentrated on Phase 1 of the audit plan, which is the Response and Recovery phase.

Work has been undertaken to progress and complete Internal Audits that were underway in Q4 of 2019/20, that 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.

Work has been undertaken to follow-up previously raised high and medium audit actions to confirm whether they have been implemented.

Work has also begun on a number of Phase 2 priority assignments.

This report covers the period 1<sup>st</sup> April 2020 to 30<sup>th</sup> September 2021, as at the July Audit Committee a separate quarterly progress update was not provided. This period is referred to as 'Phase 1'.

During Phase 1, the service completed 20 reviews. There was one report issued with a 'Limited' Assurance rating in this period.

There were no reports issued with a 'No' Assurance rating in this period.

	<b>Review</b>	<b>Assurance rating</b>
1	Housing Benefits	Limited Assurance

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

Full copies of any 'No' and 'Limited' Assurance audit reports are available on the Barnet website here:

<http://barnet.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=13619&path=0>

At the end of Phase 1, we have delivered 41% of the audit plan. This is lower than our usual target of 53% at the end of Q2, but this should be viewed in the context of COVID-19. The internal audit team have been redeployed to date for a total of 272 'audit days'. Alongside this, the rest of the Council was delivering critical services only for a large proportion of the period under review which had an impact on the internal audits being undertaken.

### **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. A summary of how these areas will now be covered in the 2020/21 plan is below.

<b>GT ref</b>	<b>GT finding</b>	<b>Priority</b>	<b>Status</b>
GT4	Managing access and authorisation rights on IT systems	High	This is linked to the wider Starters, Leavers and Movers (SLaM) project being undertaken at the Council. It will now be taken forward in 2020/21 as part of the

			<b>Managing Systems Access Rights</b> audit
GT20	Capital Budget Review	Medium	This is being audited as part of our <b>Follow-Ups programme</b> and will also be covered in the <b>Finance Global Design Principles – Budget Monitoring</b> audit

### **High and Medium Priority follow-ups**

During Phase 1, we followed up on high and medium priority actions with an implementation date of 30<sup>th</sup> September 2020 or sooner. We have had discussions with management on the progress made in implementing actions falling due in this period and have sought evidence to support their response. Progress had been made where possible, taking into consideration the fact that although Internal Audit has effectively resumed 'BAU', other areas of the Council have been focussing on their own response and recovery plans.

As reported to the Committee in July, during Q1 we confirmed that 12 medium priority actions that have been confirmed as implemented.

A total of 17 high priority and 53 medium priority actions were followed up in Q2.

In Phase 1 in total, we have confirmed the following:

<b>High priority actions: Follow-up Summary</b>	<b>Total</b>	<b>Completed</b>	<b>In progress</b>	<b>Not Implemented</b>	<b>Superseded</b>
Total Number of Actions	17	9	7	0	1
Percentage of Actions		53%	41%	0%	6%

<b>Medium priority actions: Follow-up Summary</b>	<b>Total</b>	<b>Completed</b>	<b>In progress</b>	<b>Not Implemented</b>	<b>Superseded</b>
Total Number of Actions (Q1 and Q2 combined)	65	47	8	0	10
Percentage of Actions		72%	12%	0%	16%

In total, 81% of the actions followed up have been implemented or superseded. This is below the usual target of 90% actions being implemented within agreed timeframes, however this should be viewed in the context of services prioritising their response and recovery activity and the ongoing need to focus on the COVID response as we move into the second wave.

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

During Phase 1, a number of London based and other local authorities and NHS bodies have signed up to the CCAS framework, bringing the current total number of authorities accessing the framework to 16 with a number of other bodies likely to join shortly.

## **Recommendations**

- 1. That the Committee note the work completed to date on Internal Audit Phase 1 progress report - 1<sup>st</sup> April to 30th September 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 2020-21 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 2020-21 in July 2020 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 2020-21 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 2020-21 agreed by the Audit Committee is being achieved from Internal Audit's current budget.

## **5.3 Social Value**

5.3.1 None in the context of this decision

## **5.4 Legal and Constitutional References**

5.4.1 There are no legal issues in the context of this report.

5.4.2 Article 7 of the Council's Constitution, the Audit Committee terms of reference paragraph 2 states that the Committee can consider summaries of specific internal audit reports as requested.

## **5.5 Risk Management**

5.5.1 All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council's objectives. Internal Audit does this by identifying areas for improvement and agreeing actions to address the weaknesses.

5.5.2 Internal Audit work contributes to increasing awareness and understanding of risk and controls amongst managers and thus leads to improving management processes for securing more effective risk management.

## **5.6 Equalities and Diversity**

5.6.1 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits assess, as appropriate, the differential aspects on different groups of individuals to ensure compliance with the Council's duties under the 2010 Equality Act.

## **5.7 Corporate Parenting**

5.7.1 None in the context of this decision

## **5.8 Consultation and Engagement**

5.8.1 Not applicable

## 5.9 Insight

5.9.1 None in the context of this decision

## 6. BACKGROUND PAPERS

6.1 Audit Committee 11 March 2010 (Decision Item 11) - the Committee accepted that there would be progress reports to all future meetings of the Committee and, that for all “limited” or “no assurance” audits, there should be a brief explanation of the issues identified.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201003111900/Agenda/Document%208.pdf>

6.2 Audit Committee 21 September 2010 (Decision Item 7) – the Committee agreed that where an audit had limited assurance that greater detail be provided than previously.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201009211900/Agenda/Document%203.pdf>

6.3 Audit Committee 17 February 2011 (Decision Item 7) – the Committee (i) agreed that a report would be prepared quarterly regarding those internal audit recommendations not implemented (ii) requested that the table of priority 1 recommendations should in future indicate what date recommendations were made to service areas and the implementation date.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201102171900/Agenda/Document%204.pdf>

6.5 Audit Committee 1 May 2019 (Decision Item 10) – the Audit committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan 2019-20

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