



Audit Committee

28 January 2021

Title	Internal Audit Exception Recommendations Report and Q3 (Phase 2) Progress Report 1st October to 31st December 2020
Report of	Head of Internal Audit
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 - Internal Audit Quarter 3 (Phase 2) Progress Report (1 st October to 31st December 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.

Work has been undertaken to progress and complete Internal Audits that were underway at the start of Q3, a number of which had been delayed due to several 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 also begun on a number of Phase 2 priority assignments.

During Q3, the service completed 11 reviews. There was one report issued with a 'Limited' Assurance rating in this period:

- Land Charges – Review of Planning Data Controls and Policies

Full copies of 'Limited' Assurance audit reports are available on the Barnet website here:

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

High and Medium Priority follow-ups

During Q3, we followed up on high and medium priority actions with an implementation date of 31st December 2020 or sooner.

A total of 7 high priority and 39 medium priority actions were followed up in this period.

In Q3 we have confirmed the following:

We have currently confirmed 76% actions as implemented. This is below the target of 90% of actions being implemented within agreed timeframes.

High priority actions: Follow-up Summary	Total	Completed	In progress	Not Implemented	Unable to Test*
Total Number of Actions	7	1	4	0	2

Medium priority actions: Follow-up Summary	Total	Completed	In progress	Not Implemented	Unable to Test*
Total Number of Actions	39	34	5	0	0
Total	46	35	9	0	2
%		76%	20%	0%	4%

*These actions are in progress but could not be tested as the control didn't operate in Q3.

Other Matters

Managing Access and Authorisation Rights on IT systems

At the October Audit Committee, members asked to receive updates on the Starters, Leavers and Movers (SLaM) project. During Q3 the Project Board has been set up and had its first two meetings, with Internal Audit in attendance. The current phase involves understanding and documenting the 'As Is' operating model (including any compensating controls over access to systems) before agreeing and implementing the 'To Be' operating model. Alongside sitting on the Board, in Q4 we are planning an audit of Managing System Access Rights over the Controcc system to inform Phase 1 of the SLaM project.

Data Matching – LBB payments to staff bank accounts

As previously reported to the Audit Committee, two known frauds have been committed by staff working on the Barnet Capita contracts (the CPO fraud identified in December 2017, committed by an employee of the RE joint venture between Capita and LBB, and the Pensions fraud identified in 2019). In order to provide assurance that no further frauds had been committed, we have subsequently been seeking agreement from Capita to undertake a data matching exercise between LBB payments data and the bank accounts of Capita staff working on the Barnet contract. During Q3, a project manager has been agreed for both parties, an Information Sharing Agreement has been drafted and there is a draft project plan in place. We will report the outcome of the data matching exercise, if undertaken, to the Audit Committee.

Equalities audit – Recruitment and Retention

As part of the *Equalities, Diversity and Inclusion Policy* action plan we have committed to undertaking at least one audit a year related to Equalities. The provisional title of the audit to be commenced in Q4 is **Equalities – Recruitment and Retention**.

Pensions Administration Governance Transition

At management's request we undertook a review of the arrangements to transfer Pensions Administration from Capita to West Yorkshire Pension Fund. There were four high priority findings, therefore a summary of the review has been included within Section 2 of the report.

COVID transactions – data analysis

The first phase of the work agreed as part of the plan at the Audit Committee in July is now complete. This phase covered Purchase Cards and Emergency Payments. A summary of the analysis and the resultant actions being taken is included in Section 2.

Cross-Council Assurance Service (CCAS)

During Q3, an increased number of local authorities and other public sector bodies have signed up to the CCAS framework which is managed by Barnet. The total number of authorities currently utilising the call off contract is 23.

Recommendations

- 1. That the Committee note the work completed to date on Internal Audit Q3 progress report - 1st October to 31st December 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 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>