

Internal Audit – London Borough of Barnet

Appendix 1



Internal Audit Q4 (Phase 2) Progress Report 1 January – 31 March 2021



Cross Council Assurance Service

1.0 Summary

1.1 Purpose of this report

1.1.1 We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention any other matters that are relevant to your responsibilities.

1.2 Progress against the 2020/21 internal audit plan

1.2.1 We have completed 10 reviews in this period and to date have delivered 82% of our 2020/21 internal audit programme for the year.

This should be viewed in the context of COVID-19, in that earlier in the year the internal audit team were redeployed for a total of 300 'audit days'. To make up for this, where possible audits have been undertaken by our co-sourced partner PwC where they would normally have been undertaken by the in-house team. Alongside this, the rest of the Council has been delivering critical services only for a significant proportion of the year which had an impact on the internal audits being undertaken.

Please see Appendix A for further narrative on our performance indicators (PIs).

1.2.2 There were three 'limited' assurance reports issued in this period. There were no 'No Assurance' rated reports.

- **Procurement – Compliance with Contract Procedure Rules (CPRs)**
- **Frith Manor school**
- **St Joseph's School**

Further detail is provided in section 2.1 of this report.

1.3 Findings of our Follow Up Work

1.3.1 We have commenced follow up work on all **high priority actions** with an implementation date of 31st March 2021 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.

Note: 19 actions relating to two audits, the Land Charges - Review of Planning Data Controls and Policies review and the Pensions Administration Governance Transition review, were due by 31st March but have not yet been tested. Fieldwork on these will be carried out by our co-source partner PwC in April and May 2021.

A total of 11 high priority actions have been followed up in Q4:

- 10 actions have been confirmed as implemented or superseded (91%);
- 1 have been partially implemented (9%);

High priority actions: Follow-up Summary	Total	Implemented	Superseded by Follow- Up	In progress	Not Implemented	Not yet Tested*
Total Number of Actions Tested	11	9	1	1	-	19

1.3.2 We also follow-up a sample of medium priority actions to confirm implementation.

Note: 4 actions relating to the Pensions Administration Governance Transition review were due by 31st March but have not yet been tested. Fieldwork on these will be carried out by our co-source partner PwC in April 2021.

A total of 14 medium priority actions have been followed up in Q4:

- 10 actions have been confirmed as implemented or superseded (71%);
- 4 have been partially implemented (29%);

Medium priority actions: Follow-up Summary	Total	Implemented	Superseded by Follow- Up	In progress	Not Implemented	Not yet Tested*
Total Number of Actions Tested	14	9	1	4	-	4
Total actions followed up in Q4 (High and Medium)	25	18	2	5	-	23
%		80%		20%		

*These actions are due but will be tested in April and May by PwC. As they have not yet been followed up, they are not included in the % rate of actions implemented.

We have currently confirmed 80% high and medium rated actions as implemented or superseded follow-up. The current total is therefore below the target of 90%. Progress had been made where possible, and the outturn should be viewed in the context of services prioritising their response and recovery activity and the ongoing need to focus on the COVID response.

1.3.3 Until we have clear confirmation that the implementation of audit actions is at an appropriate level and that this is sustainable, we will maintain the risk rating as 16 against the following risk within the Assurance Group risk register:

AG020 - If audit actions are not implemented this could lead to a deterioration in the council's control environment and result in the Head of Internal Audit providing a Limited Assurance Annual Opinion.

Progress against audit actions is summarised in more detail in Section 4.

1.4 Other Matters

1.4.1 Managing Access and Authorisation Rights on IT systems

We will be undertaking an audit of Managing System Access Rights over the Controcc system within Family Services to inform Phase 1 of the SLaM project. This 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.

1.4.2 Data Matching exercise – LBB payments to Capita staff bank accounts

As previously reported to the Audit Committee, two known frauds have been committed by Capita staff working on the Barnet contract (the CPO fraud identified in December 2017 and the Pensions fraud identified in 2019). After the CPO fraud, to provide assurance to the Audit Committee that no further frauds had been committed, in 2018-19 we undertook a data matching exercise. Part of the scope of that review was LBB payments to staff bank accounts to confirm that all payments were legitimate. At the time, we wanted to include Capita staff bank accounts but could not reach agreement to share the necessary data at that time.

In Q4 we reached agreement with Capita to undertake a data matching exercise between LBB payments data and the bank accounts of Capita staff working on the Barnet contract.

The initial request from LBB was for the period to cover 1st April 2017 to the present date. Capita initially proposed to limit the exercise to 1st April 2019 to 31st March 2020, the rationale being that matching the bank details of staff who no longer worked for Capita posed difficulties. As those staff are no longer under contract to Capita, they would need to provide consent for their data to be used in this way.

A compromise was reached in order to be able to progress the data matching exercise and the period was extended from 31st March 2020 to 31st January 2021 in order to also capture the period of COVID-related transactions which presented an increased risk of fraud.

The period covered by the review was 1st April 2019 to 31st January 2021. The data matching covered payments totalling more the £4bn from the Integra and Civica systems. The payments data from that period is summarised below.

Source	Description	Number of payments	Value of payments	Number of different bank accounts	Notes
Integra	BACS payments	305,865	£1,578,361,093	7843	Includes suppliers and one time vendors

	Bank detail changes	N/A	N/A	981	The supplier bank account held in Integra currently is not necessarily the supplier bank account in use at the time of the payment
	CHAPS payments	649	£2,123,676,045	144	
Civica	Housing Benefit payments	347,643	£327,241,541	14,106	
	Council Tax refunds	15,519	£4,597,769	13,380	
	NNDR refunds	5584	£80,813,819	4484	
	Sundry debt refunds	67	£28,286	64	
TOTAL		675,327	£4,114,718,553	41,002	

The 41,002 bank accounts receiving payments were matched against Capita staff bank details (staff working on the Barnet contract) by Capita's Internal Audit team.

This exercise led to **one partial match**, where the bank account number was the same, but the sort code was different, although it did relate to the same bank. This partial match was reviewed in more detail by the Council's Head of Counter Fraud Operations and Capita's Head of Financial Crime Investigations.

The following checks were carried out to ascertain if the partial match related to the same individual.

- **Gender, citizenship, address, date of birth** – no matches.
- **Nature of the payment** – the purpose for which the payments were made would have had its own verification processes confirming eligibility for that service and associated funding.

There were therefore insufficient grounds to further investigate this partial match and it was concluded that the Data Matching exercise did not identify any fraudulent payments.

1.4.3 Land Charges - Review of Planning Data Controls and Policies

Following the audit of Land Charges - Review of Planning Data Controls and Policies, two 'High' priority findings generated 14 actions that were agreed with the Deputy Chief Executive and the Re Operations Director, for completion by the end of March 2021. Work to review the progress on the implementation of these actions will be undertaken by our co-source partner PwC and will commence in April.

At the last Committee which was attended by the Re Operations Director, it was confirmed that since the audit, an action plan and associated Programme Board has been put in place which includes addressing historic critical data errors. This will evolve to ensure it aligns with the work underway with HM Land Registry to prepare for the transfer of data from the Council to the Land Registry. This work includes utilising an HM Land Registry tool for data cleansing.

Due to the timeline of the work being undertaken with HM Land Registry and the requirement for a Collaboration agreement to be signed for the data sharing to take place, some of the previously agreed deadlines for the audit actions are being extended, with mutual agreement between Re and the Council. We are comfortable that this is a pragmatic approach.

The progress made against the agreed audit actions, along with a summary of the updated Programme Board plan, will be reported to the Committee in Q1 of 2021/22.

1.4.4 Schools Audits

As a result of the pandemic and actions taken to protect the community, the number of schools' audit visits that would be undertaken was uncertain at the start of the year. There were three schools from the 2019/20 Audit Plan that were not finalised before the lockdown and were therefore not part of last year's Internal Audit opinion as they had not been agreed at year end. These audits were finalised as part of the 2020/21 audit plan delivery, bringing the total number of schools reviewed in this year to ten, compared to a more typical year when we would expect to undertake approximately 22 schools' audits

1.4.5 COVID19 Grant Allocations

A significant number of grants have been allocated by central government during the year to mitigate the adverse effect of the pandemic on the economy. A number of these were channelled through local authorities and as part of the Internal Audit workplan, and in conjunction with the Corporate Anti-Fraud Team (CAFT) we have advised on procedures to administer some of these grants and performed independent checks to meet the requirements of the grant allocation.

Over 30 days of Internal Audit resource has been spent on COVID grant allocation work in the delivery of the 2020/21 Audit Plan. Fieldwork is underway to carry out required 'Post Payment Assurance' work on Business Grants for which monthly returns have been made by the Exchequer departments within Finance and comprehensive pre-payment checks have been made by CAFT to mitigate against fraudulent claims being awarded. We foresee that in the 2021/22 Audit Plan, a similar amount of time will be required to meet central government requirements for grants already awarded and further grants that may be allocated.

1.5 Recommendations

- That the Audit Committee notes the progress made against our 2020/21 Internal Audit Programme.

2.0 Limited Assurance and reports with significant impact issued since the previous meeting

2.1 Limited Assurance Reports

2.1.1 Procurement - Compliance with Contract Procedure Rules (CPRs)

Number of recommendations by risk category				
Critical	High	Medium	Low	Advisory
-	1	8	-	-

Scope

A significant amount of Local Authority spend is attributable to external contractors/service providers (suppliers/vendors) procured to deliver Council services. Effective procurement ensures optimising value for money outcomes from suppliers and the delivery of high-quality services in a climate of strained financial budgets.

Procurement at the Council is governed by the Council's Contract Procedure Rules (CPR) May 2019; and the Procurement Toolkit. The procedures are designed to ensure:

- the Council undertakes appropriate action to demonstrate that value for money can be achieved in the procurement of goods, works and services;
- an unbiased and fair supplier selection/award process;
- appropriate scrutiny and authorisation of contract award;
- the creation of purchase orders and/or the drafting of contracts (dependent on value of spend thresholds stated in the CPRs - Article 10 of the Constitution, Table B refers); with the appropriate clauses to embed delivery in line with relevant legislation, where applicable, for example, GDPR and safeguarding;
- the soft-copy retention of contracts and related documentation; and
- that the Council's approved processes for Contract Management are adhered to by Service Areas.

CSG Procurement assists Service Areas under a managed service specification to undertake procurements that they deem necessary to meet service expectations and in line with allocated budgets.

Summary of findings

The audit was conducted based on LBB's global procurement activities, the assurance level attained is an assurance level based on the total end to end procurement process which includes Council Directorate and stakeholders and CSG Procurement. CSG Procurement as part of the procurement process, make every effort to influence other departments into fulfilling their procurement process obligations but ultimately CSG procurement are not accountable for the activities of those departments. (e.g. Client Directorates/Service Areas)

Responsibility for findings/issues below – between Council and CSG Procurement - has been set out in Appendix 5.

Our review confirmed:

- significant documented procedures relating to the procurement process available for referral on the Council's Intranet.
- the routine provision of procurement advice and support, generally, by CSG Procurement and their involvement in more complex procurements. The set-up embeds service access to expert procurement advice through engagement with Procurement Business Partners. All officers interviewed during fieldwork confirmed awareness of CSG Procurement as a source of expert procurement advice and support.

CSG Procurement have recently completed a service review to develop a new procurement approach which was documented in the Procurement New Operating Model.

Detailed control findings are set out in Appendix 3.

We have raised 1 High and 8 Medium risk rated findings as follows:

1. Contracts Register (High): The Council's Contracts Register provided to us during fieldwork did not hold an accurate record of all contracts £10k and above as required by Council policy. This is a repeat finding also made in a previous procurement audit.
2. Vendor creation CSG Procurement approval in Integra (Medium): In the sample of new vendors we tested, the rationale followed by CSG Procurement when assessing whether new vendors were CPR compliant was not evident as a note in the approval workflow (CSG Procurement intervention takes place at the 3rd level in the workflow).
3. Roles and responsibilities – take-up of procurement training and development and documented procedures (Medium):
 - Formal training based on Service requests was offered by CSG Procurement, however take-up of the training by Service areas was minimal. CSG Procurement indicated that minimal requests for training were received. Training covered all aspects of the procurement process. 7/13 officers interviewed during fieldwork could not recall attending face to face training.
 - We noted that the Procurement Toolkit 2018 had not been updated to reflect the new procurement structure and the electronic E-Form vendor creation process.
4. CPR compliance – contract acceptance decision making (Medium): We also noted 3 instances where procurement at lower levels could inadvertently breach CPR value limits/thresholds requiring acceptance by more senior officers. For example, in terms of current CPR, under £10k procurements, acceptance is authorised by the relevant officers in terms of the Scheme of Delegation while over £10k requires a Chief

Officer decision. Potentially decisions to award contracts could be taken incorrectly by officers without the required CPR authority. Officers involved in such low value procurements which don't generally involve CSG Procurement - who are involved in more complex procurements - need to be made aware of this requirement.

5. CPR compliance – advertising procurements (Medium):

- In 6/16 procurement exercises tested, CSG Procurement confirmed that they were advertised on OJEU which automatically downloaded the publication to Contracts Finder, the central government portal which allows suppliers to search for information about contracts worth over £10,000. However, evidence of the publication on Contracts Finder, which is a requirement of the CPRs, was not provided at the time of the audit. In future, an audit trail of the publication on Contracts Finder needs to be retained for referral.
- Officers involved in lower value procurements also need to be reminded of the risk that spend “creep” may inadvertently invoke the requirement that spend over £25k must be advertised on Contracts Finder.

6. Regional Enterprise (Re) award of contracts for the Council's account (Medium): Arrangements were unclear for monitoring procurement exercises which may have been managed by Re for Barnet's account, for example as part of Special Project Initiation Requests (SPIRs). We had not been provided with any evidence of any strategic oversight of such procurements managed by Re, for example, by the Procurement Board.

7. CPR compliance – Procurement Declaration of Interest (PDI) forms (Medium): The completion of PDI forms was inconsistent across Services, confirming a need to remind Services of this requirement, for example through procurement training. We found in three separate cases we tested that PDI forms were also not completed for lower value procurements.

8. CPR compliance - contract award – financial assessment (Medium): Clarity was needed on when financial assessments of suppliers were required, for example, where spot contracts were awarded outside approved lists as opposed to more complex procurements involving the financial evaluation of many tenders. The CPR also allocated some responsibility for financial assessment to CSG Procurement who held the view that all financial evaluation should be done by Council Finance as they were the experts in this area.

9. Contract formalities – performance bond and information management, social value, safeguarding, insurance and Business continuity contractor responsibilities (Medium):

Information Management, Social Value, Safeguarding, Insurance and Business Continuity

We tested 16 procurement exercises related to vendor spend over the last 5 years to ensure that 5 areas, Information Management, Social Value, Safeguarding, Insurance and Business Continuity were considered as part of the evaluation process and the contract set-up. In 1/16 cases, the Service indicated that the 5 areas were not considered as part of the contract award. In 2/16 instances, we noted that business continuity had not been addressed in the contracts.

2.1.2 Frith Manor School

Number of actions by risk category				
Critical	High	Medium	Low	Advisory
-	1	6	1	-

Background and Scope

The audit of Frith Manor School was carried out as part of the planned School audits for 2020-21. The audit review covered the period April 2019 to October 2020. Frith Manor School is a Community school with 538 pupils on role aged between 3 and 11 years of age. The School budgeted expenditure for 2020/21 is £3,209,130 with employee costs of £2,541,390 (79% of budgeted expenditure).

The School was assessed as 'Good' by OFSTED in June 2019.

A review of the three recommendations reported in the previous audit report dated 20 October 2016 found that one recommendation had been partially repeated (Assets).

The aim of the audit is to provide assurance on key areas of financial management. The review covered all major systems within the school to ensure compliance with the Scheme for Financing Schools and the Barnet Financial Guide for Schools, including Barnet Contract Standing Orders for Schools.

The scope of the audit included assessment of the following:

- adequacy of accounting, financial and other controls;
- compliance with established plans and procedures;
- the integrity and reliability of financial and other information;
- whether assets and other interests of the Council are properly safeguarded; and
- whether the use of resources achieves value for money.

In addition to the above, a review of the 'Schools Financial Values Standard' (SFVS) self-assessment was conducted to ensure that the self-assessment has been completed in line with requirements. The standard has been designed to assist schools in managing their finances and to give assurance that they have secure financial management in place.

Summary of findings

The table provided in Appendix 2 lists the areas audited and the number of recommendations in each area. Definitions of audit assurance levels and risk ratings for the issues identified are provided in Appendix 1.

Following the completion of the audit we were able to give 'Limited' Assurance to the school, noting one high, six medium and one low priority issue as part of the audit:

1. Financial Planning – The school was unable to set a balanced budget for 2020/21. The school also had a brought forward deficit at 1 April 2020 of £135,947. As at October 2020, the school has a forecast deficit of £85,384 for 2020/21 and will require a cash advance from the local authority to enable all committed expenditure to be paid in the year. The school has been unable to produce a forecast that shows that the school is able to repay the forecast school deficit of £221,331 and present a balanced budget in the next three years. (High rated);
2. Governance – The Governing Body minutes for the period February 2020 to July 2020 did not include enough information on Governor appointments and resignations, or confirmation of the 20/21 budget submitted for the school. The register of Business Interests was not found to be up to date. The notice of Authorised Signatories did not include enough signatures for each area to allow for possible staff absence. (Medium rated);
3. Contracts – An up to date contract could not be found in school for services provided by Atlas cleaning. (Medium rated);
4. Income – The school has been accepting Childcare vouchers from parents in payment for school trips and music lessons. Per HM Revenue and Customs – childcare vouchers can only be used for childcare. (Medium rated);
5. Banking – The Bank account administered by the Local authority but holding school funds has not been reimbursed for salary payments incurred by the school from March 2018 to April 2019. (Medium rated);
6. Assets – The inventory spreadsheet did not contain a cost and date of purchase for all IT assets. Annual review was not consistently completed and marked on the spreadsheet. Governors had not been asked to authorise asset disposals. (Medium rated)
7. Single Central Record – There was missing information on the record for a School Governor and a member of staff which should be corrected, and school data inserted. (Medium rated);

Following our 'Schools Financial Values Standard' (SFVS) self – assessment review we were able to confirm that there were no major discrepancies in judgements noted, however, although the School has responded with 'Yes' or 'In Part', in the areas outlined below, it is the opinion of audit that this area has either not been met, or met 'In-Part' (refer also to Appendix 3 below):

A4: Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest? - The school has answered 'Yes', but current business interest forms were not available for Governors and Governing Body meeting minutes did not state business interests.

B8: Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance? - The school has answered 'Yes', but the asset register was not found to be complete.

F23: Is the governing body sure that there are no outstanding matters from audit reports, internal audit reports or from previous consideration of weaknesses by the governing body? - The school has answered 'Yes', but one finding from the previous audit has been repeated (Assets)

F25: Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers? - The school has answered 'Yes' but refer to Findings (Assets), which should be addressed to ensure procedures are as robust as possible.

G29: Have the results of the dashboard been carefully considered and potential follow-up actions identified? The school has answered 'In part', but the proposed discussion of results was not documented for review.

2.1.3 St Joseph's School

Number of actions by risk category				
Critical	High	Medium	Low	Advisory
-	1	4	1	-

Background and Scope

The audit of St Joseph's Catholic Primary School was carried out as part of the planned School audits for 2020-21. The audit review covered the period April 2019 to December 2020.

St Joseph's Catholic Primary School is a Voluntary Aided school with 510 pupils on role aged between 3 and 11 years of age. The School budgeted expenditure for 2020/21 is £2,792,619 with employee costs of £2,263,056 (81% of budgeted expenditure).

The School was assessed as 'Requires Improvement' by OFSTED in December 2017.

A review of the three recommendations reported in the previous audit report dated 26 May 2016 found that two recommendations have been partially repeated (Governance and Assets).

The aim of the audit is to provide assurance on key areas of financial management. The review covered all major systems within the school to ensure compliance with the Scheme for Financing Schools and the Barnet Financial Guide for Schools, including Barnet Contract Standing Orders for Schools.

The scope of the audit included assessment of the following:

- adequacy of accounting, financial and other controls;
- compliance with established plans and procedures;
- the integrity and reliability of financial and other information;
- whether assets and other interests of the Council are properly safeguarded; and
- whether the use of resources achieves value for money.

In addition to the above, a review of the 'Schools Financial Values Standard' (SFVS) self-assessment was conducted to ensure that the self-assessment has been completed in line with requirements. The standard has been designed to assist schools in managing their finances and to give assurance that they have secure financial management in place.

Summary of findings

The table provided in Appendix 2 lists the areas audited and the number of recommendations in each area. Definitions of audit assurance levels and risk ratings for the issues identified are provided in Appendix 1.

As part of the audit we were able to give 'Limited' Assurance to the school, noting one high, four medium and one low priority issue as part of the audit:

1. Financial Planning – The school was unable to set a balanced budget for 2020/21. As at April 2020, the school has a brought forward deficit of £307,185 and the projected carried forward deficit at March 2021 at the date of the audit was £370,150. The school has been unable to produce a forecast that shows that the school is able to repay the school deficit and present a balanced budget in the next three years. (High rated);
2. Governance The financial management policy and procedures document should be updated and approved by Governors to reflect use of the Online Payments system 'TUCASI', and roles and responsibilities of the external Finance officer and school secretaries. Reference to the Private School Fund should be updated and use of a petty cash float removed. Roles and responsibilities should be documented to confirm transactions on the school Amazon Corporate account have documented approval prior to order, and proof of receipt of goods recorded. (Medium rated);
3. Budget Monitoring– Monitoring and control should be a continuous process throughout the financial year. Monitoring reports should be accurate so that early detection of significant deviation from the financial plan is possible. Due to school closures due to COVID, budget monitoring reports reviewed through the year were not available in school at the audit. The school had identified an error in the 2020/21 budget in November 2020. In 2019/20, the school budgeted an in-year surplus of £42,368. In 2019/20 the school reported a £223,713 in year overspend. (Medium rated);
4. Voluntary funds– The accounts for the St Joseph's Private School Fund were last audited for the year ended 31 March 2019. The Private School fund should be audited on an annual basis, presented to Governors, and submitted to the Local authority within six months of the end of each accounting period. The accounts for the year ended 31 March 2020 have not yet been audited. (Medium rated);
5. Assets– The IT inventory maintained on 'School Audit' software did not contain a cost and date of purchase for all IT assets. Annual review was not consistently completed, and governors had not been asked to authorise recent disposal of whiteboards. (Medium rated)

Following our 'Schools Financial Values Standard' (SFVS) self – assessment review we were able to confirm that there were no major discrepancies in judgements noted, however, although the School has responded with 'Yes' or 'In Part', in the areas outlined below, it is the opinion of audit that this area has either not been met, or met 'In-Part' (refer also to Appendix 3 below):

A3: Does the governing body board receive clear and concise monitoring reports of the school's budget position at least six times a year? - The school has answered 'Yes', but reports provided to Governors were not available for review at the audit and Finance committee meeting minutes were brief.

A4: Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest? - The school has answered 'Yes', but no forms were available for finance/admin staff.

B6: Does the school have a realistic, sustainable and flexible financial strategy in place for at least the next 3 years, based on realistic assumptions about future funding, pupil numbers and pressures? - The school has answered 'In part' as the school is reviewing options considering recent 3-year budget review.

B8: Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance? - The school has answered 'Yes', but the asset register was not found to be complete.

C9: Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)? - The school has answered 'Yes', but the 2019/20 actual costs did not match to budgeted expenditure.

E17 Does the school benchmark its income and expenditure annually against that of similar schools and investigate further where any category appears to be out of line? - The school has answered 'Yes' but benchmarking information was not available for review at the audit.

F23: Is the governing body sure that there are no outstanding matters from audit reports, internal audit reports or from previous consideration of weaknesses by the governing body? - The school has answered 'Yes', but two findings from the previous audit have been repeated (Governance and Assets)

F25: Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers? - The school has answered 'Yes' but refer to Findings (Voluntary funds and Assets), which should be addressed to ensure procedures are as robust as possible.

F28: Does the school have adequate arrangements for audit of voluntary funds? - The school has answered 'Yes' but the Private Fund was not audited annually.

3.0 Progress against plan

The table below represents a summary of the work that we have completed during the period 1st January 2021 to 31st March 2021 or that is currently underway.

Stage	Name of review	Report classification	Total findings	Ratings				
				Critical	High	Medium	Low	Advisory
Phase 2 (Q4) – 1st January to 31st March 2021								
Complete	Procurement - Compliance with Contract Procedure Rules (CPRs)	Limited	9	-	1	8	-	-
Complete	Frith Manor School	Limited	8	-	1	6	1	-
Complete	St Joseph's School	Limited	6	-	1	4	1	-
Complete	Waste - Health & Safety	Reasonable	3	-	1	2	-	-
Complete	Moss Hall School	Reasonable	4	-	-	2	2	-
Complete	Chalgrove School	Reasonable	4	-	-	2	2	-
Complete	Finance Global Design Principles (FGDP) - Budget Monitoring	Substantial	1	-	-	1	-	-
Complete	COVID19 – Community Testing Grant Funding	N/A						
Complete	Troubled Families – Payment by Results Q4	N/A						

Complete	Emergency Active Travel Fund Grant	N/A						
Draft Report	Direct Payments – Data Analysis	TBC						
Draft Report	Parking - PCN Cancellations (Partial testing due to resource constraints in the COVID19 Pandemic)	TBC						
Draft Report	Adults Debt Recovery	TBC						
Draft Report	Barnet Education & Learning Services (BELS) Governance arrangements	TBC						
Draft Report	Finance Global Design Principles (FGDP) - Fixed Assets	TBC						
Draft Report	COVID 19 Response and Recovery - Realtime Transaction Analysis (Phase 2)	TBC						
Draft Report	Construction (Design & Management) – CDM Regulations	TBC						
Draft Report	Project Management Toolkit – Advisory review	TBC						
Fieldwork	Finance Global Design Principles (FGDP) - Accounts Payable	TBC						
Fieldwork	Finance Global Design Principles (FGDP) - General Ledger	TBC						
Fieldwork	Finance Global Design Principles (FGDP) - Accounts Receivable	TBC						
Fieldwork	Danegrove School	TBC						
Fieldwork	FGDP - Cash and Bank	TBC						

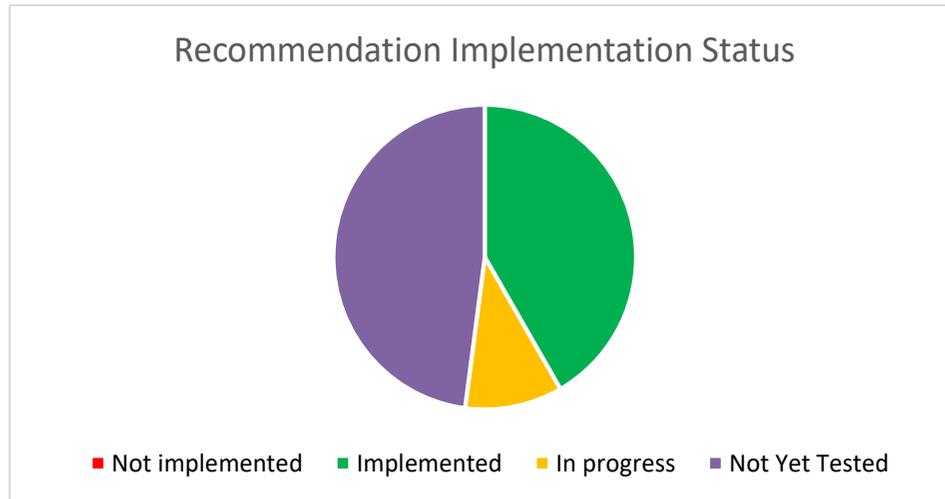
Fieldwork	Integra Issue Management	TBC						
Fieldwork	Non-Schools Payroll	TBC						
Fieldwork	Brent Cross Regeneration Project	TBC						
Fieldwork	Estates Compliance	TBC						
Fieldwork	COVID19 Business Grants – Post Payment Assurance	TBC						
Fieldwork	Agency Staff	TBC						
Planning	Test and Trace grant	TBC						
Planning	Premises Licensing and Gambling	TBC						
Planning	Managing Systems Access Rights – Controcc	TBC						
Planning	Private Residential Blocks – Fire Safety	TBC						
Planning	Equalities Diversity and Inclusion	TBC						
Planning	Pension Transition Follow-up	TBC						
Planning	Land Charges Follow-Up	TBC						
Changes to Published 2020/21 Plan								
Added	COVID - Community Testing Grant							
Added	COVID - Emergency Active Travel Fund Grant							

Added	Project Management Toolkit – Advisory review								
Deferred	Highways Health and Safety Deferred to 2021/22 as agreed with the service due to contractor change								
Cancelled	Urgent Care demand – Advisory Cancelled as agreed with service due to other audit work ongoing in service area								

4.0 Follow Up

4.1 Summary

5.1.1 The wheel below demonstrates how many high and medium priority actions due this period have been confirmed as being implemented, in progress, not implemented or have not yet been tested.



4.2 Outstanding actions

4.2.1 During this period we followed up 11 high priority and 14 medium priority actions due by 31st March 2021. 10 high priority and 10 medium priority actions were found to be implemented or superseded. The remaining 1 high and 4 medium actions tested were found to be in progress.

Note: 19 high priority actions and 4 medium priority actions relating to two audits, the Land Charges - Review of Planning Data Controls and Policies review and the Pensions Administration Governance Transition review, were due by 31st March but have not yet been tested. Fieldwork on these will be carried out by our co-source partner PwC in April 2021.

* At the request of the Audit Committee a column has been added to show how many times the action has slipped i.e. not been implemented within the agreed timeframe. The colour key is as follows:

White = 1 (i.e. first-time non-implementation being reported)

Amber = 2 (i.e. second time non-implementation being reported)

Red = 3+ (i.e. at least third time non-implementation being reported)

4.2.2 Outstanding high priority actions

	Name of report	Agreed Action	Status (Not Implemented / In Progress / Unable to Test)	Owner	Due Date	Slippage*
Strategic Director: Deputy Chief Executive						
1	Highways Programme August 2019	b) Work will not be goods receipted by LBB Finance before the necessary authorisation is on file as per action (a), Management will clearly define the responsible officers for ensuring that Re Invoice 2s are approved for payment and the minimum documentation which will be on file to support the payments	<p>Partly completed – Substantial Progress</p> <p>Evidence to confirm that LBB Commercial and LBB Finance had agreed that formal sign off and validation was not possible for this year to able invoices to be raised ahead of Re's year-end (31st December). Therefore, it was agreed to raise an over-arching PO to enable invoicing to take place, subject to final reconciliation and off-set against future Re invoices on an 'if necessary' basis. It was agreed that any reconciliations would be carried out in the new year and ahead of the Council's final year end (31st March).</p> <p>We have not yet seen evidence that this reconciliation has been completed. If this evidence is provided, this will move to Implemented as we do consider this to be a proactive approach to this current situation and as there has been involvement of Re and LBB Commercial as well as LBB Finance – demonstrating the greater involvement in all parties in the oversight of SPIRs payments since the time of our original review - the recommendation should be considered as implemented.</p>	Commercial Performance & Dev Manager	31/12/2019	5

4.2.3 Outstanding medium priority actions

	Audit Title	Audit Date	Ref	Finding	Action	Responsible officer	Due date	Progress report for Audit Committee 28 April 2021
1	Public Sector Equality Duty compliance	01/09/2018	2d	<p>Equalities policies and published information (operating effectiveness)</p> <p>If equalities policies and supporting documentation are not up to date and regularly reviewed, staff and residents may not be aware of the current equalities position at the Council, or of any requirements they need to meet to support the Council to meet the requirements of the PSED.</p>	<p>d) The Staff Equalities Statement will be reviewed and updated as necessary, and version control information will be retained within the document including a schedule for future reviews. The review will include clearly identifying roles, responsibilities and a schedule for ensuring that the equalities action monitoring described in the document is carried out.</p>	Staff Equalities Steering Group Chair	31/7/2019	<p>In Progress</p> <p>The Equalities Statement is being discussed with HR who are awaiting the revised corporate EDI policy to be published in order to ensure that the Statement is fully aligned with it.</p> <p>Revised deadline: 30 September 2021</p>

2	Public Sector Equality Duty compliance	01/09/2018	2e	<p>Equalities policies and published information (operating effectiveness) If equalities policies and supporting documentation are not up to date and regularly reviewed, staff and residents may not be aware of the current equalities position at the Council, or of any requirements they need to meet to support the Council to meet the requirements of the PSED.</p>	<p>e) A wider review of HR policies is underway. This review will ensure that policies which impact on equalities are up to date and reflect current Council practices and relevant legislation. Strategic HR will ensure all revised and new HR policies from January 2019 will be subject to an EIA before approval</p>	Assistant Director – Human Resources & Organisational Development	30/9/2019	<p>In Progress</p> <p>Policies are being reviewed in the areas of disciplinary, grievances and absence management. As at early April, all three aforementioned policies have been shared with trade unions and feedback received. Work is now underway to address the feedback.</p> <p>Revised deadline: 30 September 2021</p>
3	COVID Transaction analysis Phase 1	16/12/2020	P/PC E1	<p>Potential duplicate (or more) payments made to vendors.</p>	<p>Using the Power BI dashboard, duplicate items will be identified and sent to Budget Holders for review. Dependent on the response the escalation process will be IA</p>	Assistant Director – Investment and Innovation Head of Finance: Exchequer	18/12/2020	<p>In Progress</p> <p>The current Microsoft Power BI Dashboard is able to identify duplicate payments through the "Repeat buys by year & account" query which shows repeat transactions by value by P-Card account and merchant. Power BI licences are available corporately in Finance to generate the relevant reports (following upload of P-Card activity in Smartdata</p>

					or CAFT as required.			<p>Online) for circulation - via the Finance Business Partners - to budget holders in the Service for their responses.</p> <p>The approach embedded in the P-Card policy for reviews for P-Card policy compliance is that Line Managers (authorisers):</p> <ul style="list-style-type: none"> • Must carry out compliance checks using reports provided by Resources: Finance to ensure expenditure on P-Cards within their area are genuine and relate to business needs. • Must investigate all compliance reports supplied by Resources: Finance and report back findings within five working days. <p>To roll out the compliance review process in Service areas (to facilitate the line managers review of Finance reports) the following is still required:</p> <ol style="list-style-type: none"> 1. The relevant managers in the Services who require Power BI licences for this process need to be established. 2. Power BI licences need to be purchased. Currently there are insufficient licences to roll-out across Services to allow them to undertake these checks through accessing the Power BI data themselves for review and resolution. 3. The relevant managers will need to
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								attend training on Power BI. Finance have indicated that full implementation on this basis can therefore only be achieved within a 3-6 month timeframe. Revised deadline: 31 August 2021
4	COVID Transaction analysis Phase 1	16/12/2020	P/PC E2	Potential duplicate (or more) payments made to vendors.	As per above, the dashboard will be processed based on the monthly data upload from the P Card Team.	Assistant Director – Investment and Innovation Head of Finance: Exchequer	18/12/2020	In Progress As above

4.3 Completed actions

4.3.1 During this period we followed up 10 high priority and 10 medium priority actions which are deemed to have been implemented, superseded or closed. These are listed below:

4.3.2 Completed high priority actions

Name of report	Agreed Action	Owner	Due Date	Slippage*
Strategic Director: Director of Finance				

1	COVID Transaction analysis Phase 1	Internal Audit to review transactions and communicate with budget holders, whilst updating Finance.	Internal Audit to undertake initial review then hand over to Finance or CAFT if required, as part of the review of outcomes for the 2020 review.	11 January 2021	N/A
2	COVID Transaction analysis Phase 1	Internal Audit to investigate what constitutes as 'business rationale' with budget holders for the two-step approval process.	Internal Audit to undertake initial review then hand over to Finance or CAFT if required, as part of the review of outcomes for the 2020 review.	11 January 2021	N/A
3	COVID Transaction analysis Phase 1	Finance to review the implementation of an exception reporting tool to identify potential inappropriate spend and investigate with budget holders - a response from budget holders is expected within 5 days.	Finance	18 December 2020	N/A
4	COVID Transaction analysis Phase 1	Finance to use this analysis to review blocked merchants regularly and according to business needs.	Finance	18 December 2020	N/A
5	COVID Transaction analysis Phase 1	The P Card policy has been reviewed and is waiting to be finalised. The findings from this report will be used to strengthen the policy.	Finance	18 December 2020	N/A
6	COVID Transaction analysis Phase 1	Reports to be run on a monthly basis and fed into PowerBI dashboard. Results to be provided to budget holders to review and monitor the compliance of transactions.	Insight & Intelligence / Finance	18 December 2020	N/A
Strategic Director: Deputy Chief Executive					

7	<p>Investing in IT – Lessons Learned (Portfolio and Project Management)</p> <p>May 2019</p>	<p>Consider the potential options in relation to corporate oversight and assurance over department-led projects. In particular, to ensure that appropriate checks and balances are in place and that senior Council officers are made aware of any issues in order to resolve them in a timely manner and ensure departmental projects achieve their required outcomes.</p> <p>Non-IT Projects</p> <p>The arrangements for ensuring that there is an appropriate and proportionate level of corporate oversight and assurance over department-led projects will be considered as part of the broader piece of work that is being undertaken to consider the future role of the corporate centre in ensuring effective cohesion and control across the organisation as a whole</p>	Director of Commercial	30/9/19	5
Strategic Director: Executive Director – Adults and Health					
8	<p>Adults Safeguarding</p> <p>June 2020</p>	<p>3. Management will engage with HR- Learning and Development to devise a system to ensure that training records are tracked and collated</p>	Head of Localities, Adults and Health	31/7/2020	3
9	<p>Adults Safeguarding</p> <p>June 2020</p>	<p>5. Management will devise a mechanism to ensure that managers are aware when training requirements set out in action (a) are not being met.</p>	Head of Localities, Adults and Health	31/7/2020	3
Strategic Director: Director of Assurance					
10	<p>Domestic Violence</p> <p>November 2019</p>	<p>Superseded. The completion of the ISA is part of the Assurance Compliance Plan which is now being monitored through the Assurance Information Management Governance Group (IMGG).</p> <p>The Community Safety team will develop the ISA to be sufficient to cover all 12 ISAs within the current Corporate ISR. The IMT will continue to provide guidance to the Community Safety team throughout the process.</p>	Community Safety Manager with support from Information Strategy Manager	24/1/2020	3

4.3.3 Completed medium priority actions

	Audit Title	Audit Date	Ref	Finding	Action	Responsible officer	Due date
1	Cash and Bank	21/01/2020	7a	Documented Procedures	<p>Superseded by follow-up work on the Finance Global Design Principles Cash and Bank Review</p> <p>Cash Book</p> <p>a) Documented procedures will define all responsibilities relating to the bank reconciliation review, including the monitoring of unallocated items and the maximum period for bank transactions to remain unallocated</p>	Assistant Finance Manager, Cashbook	01/03/2020
2	Accounts Receivable – Invoice Processing	01/01/2021	5c	Education Welfare Accounts - Cambridge Education	<p>c) Going forward, Education Account Team's credits, bad debts and doubtful debts will be processed for approval in accordance with the Council's Financial Regulations (Fin Reg). The Team will verify the approval limits and comply with the provision of the Fin Reg. If an exception to the Fin Reg is required, this will be documented and approved by senior management and the Director of Finance.</p>	Finance Manager Education Welfare Manager	31/03/2020

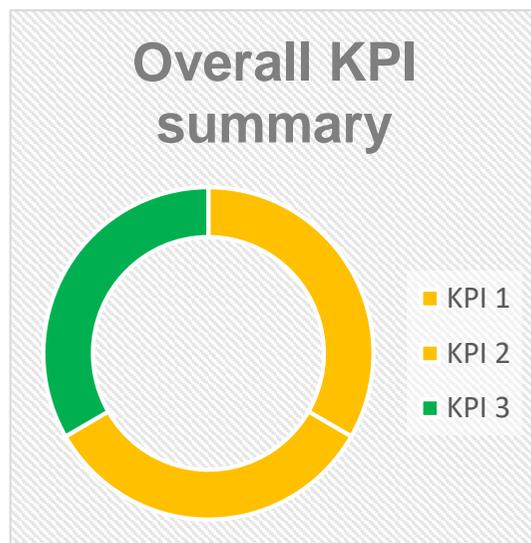
3	Key Financial System (KFS) General Ledger	29/06/2020	2c	Control Account Reconciliation	2c. An electronic signature approach will be introduced to enable authorisers to sign off / authorise all reviewed reconciliations. The system will be appropriately controlled to ensure that the authoriser's signature would be removed if any further changes were made to the reconciliation after it was authorised	Chief Accountant	30/06/2020
4	COVID Transaction analysis Phase 1	16/12/2020	P/P C C1	Purchase Cards may not be decommissioned when no longer required, or where employees have left the Council's employment, leaving cards inappropriately in circulation resulting in a greater inherent risk of fraud or inappropriate expenditure being incurred. Purchase Cards with a low value of transactions may indicate that cards are in circulation unnecessarily.	Finance to utilise the dashboard and review cards that have not been used as per updated policy. Finance to investigate if cards should be decommissioned.	Assistant Finance Manager – Cash & Banking	18/12/2020

5	COVID Transaction analysis Phase 1	16/12/2020	P/P C C2	<p>Purchase Cards may not be decommissioned when no longer required, or where employees have left the Council's employment, leaving cards inappropriately in circulation resulting in a greater inherent risk of fraud or inappropriate expenditure being incurred.</p> <p>Purchase Cards with a low value of transactions may indicate that cards are in circulation unnecessarily.</p>	Finance to utilise the dashboard and review cards with low value of transactions . Finance to investigate if cards should be decommissioned on a case-by-case basis.	Assistant Finance Manager – Cash & Banking	Case by case basis
6	COVID Transaction Analysis Phase 1	Dec 2020	P/P C D1	The Council may not identify opportunities to make savings through strategic utilisation of Purchase Cards, resulting in value for money not being achieved through purchasing activity.	Procurement to use the analysis to determine which merchants to seek out corporate deals with and whether these deals would represent value for money to the Council.	Assistant Director – Investment and Innovation	30/11/2020
7	COVID Transaction analysis Phase 1	Dec 2020	P/P C E3	Potential duplicate (or more) payments made to vendors.	Internal Audit to undertake initial review then hand over to Finance or CAFT if required, as part of the review of outcomes for the 2020 review.	Internal Audit reviewed 300 transactions and referred 95 to CAFT for further analysis. All 95 transactions were satisfactorily resolved between CAFT and Internal Audit and there was no evidence of fraud.	11/01/2021

8	COVID Transaction analysis Phase 1	Dec 2020	EPP /PP N A1	Invoices assigned to incorrect cost centres, incurring additional costs outside of normal budgets. The lack of control around assigning invoices to cost centres can allow users to create invoices in order to commit fraudulent transactions.	It is not appropriate to block cost centres to be charged against. The Covid Cost Centres exist for each directorate, PO / API or even P Card expenditure coded to these cost centres can only be approved by the council's high level authoriser assigned to the directorate codes as per the Covid instructions. The majority of these individuals are AD or above. No action required	Finance	Complete (as per service)
9	COVID Transaction analysis Phase 1	Dec 2020	EPP /PP N A2	Invoices assigned to incorrect cost centres, incurring additional costs outside of normal budgets. The lack of control around assigning invoices to cost centres can allow users to create invoices in order to commit fraudulent transactions.	This particular item was investigated and was found to have been an error in the invoice date at entry stage in Integra and therefore the transaction was not actually before the COVID cost centre was set up.	Finance	Complete (as per service)
10	COVID Transaction analysis Phase 1	16/12/2020	EPP /PP N B1	The observations from the journal analysis should be reviewed by management and potential exceptions investigated, as these may represent a heightened risk of fraud/error.	As the nature of the transactions sit within Integra, Finance will interrogate the reporting to determine an efficient method to identify all the large duplicate on sight transactions with a suitable level of materiality. Once the report is built, it can be run monthly. The team would then be able to send the journal processor the request to review, where there is not sufficient and appropriate backing evidence to the transaction.	Finance	30/11/2020

Appendices

Appendix A: Key performance indicators (KPIs)



KEY:

Fully Achieved

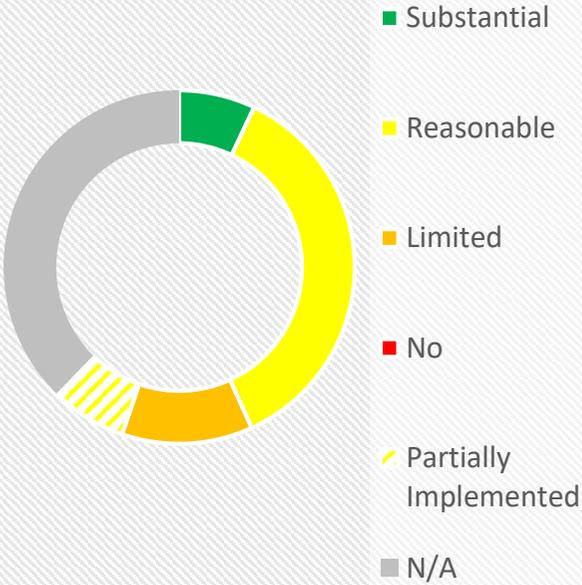
Partially Achieved

Not Achieved



KPI	Target	Results	Comment										
<p>1. % of Plan delivered</p> <p>Narrative:</p> <p>We have not met our target for the end of Q4. This is due to a number of factors, primarily the redeployment of internal audit staff in response to COVID which has accounted for 300 lost 'audit days'. To make up for this, where possible audits have been undertaken by our co-sourced partner PwC where they would normally have been undertaken by the in-house team.</p>	95%	82%	<p>Work in progress is incorporated as follows:</p> <table border="1"> <tr> <td>Not Started</td> <td>0%</td> </tr> <tr> <td>Planning</td> <td>20%</td> </tr> <tr> <td>Fieldwork</td> <td>50%</td> </tr> <tr> <td>Draft Report</td> <td>90%</td> </tr> <tr> <td>Complete</td> <td>100%</td> </tr> </table> <p>Applying these %s to work in progress shows that we have delivered 82% of our plan.</p> <p>Up to 50% = Not Achieved 51% - 94% = Partially Achieved 95% = Fully Achieved</p>	Not Started	0%	Planning	20%	Fieldwork	50%	Draft Report	90%	Complete	100%
Not Started	0%												
Planning	20%												
Fieldwork	50%												
Draft Report	90%												
Complete	100%												
<p>2. Verification that at least 90% of Critical and High Risks have been mitigated by management at the time of follow up</p>	90%	80%	<p>0-49% = Not Achieved 50-89% = Partially Achieved 90% = Fully Achieved</p>										
<p>3. Average customer satisfaction score for year to meet or exceed acceptable level for at least 85% of completed surveys</p>	85%	100%	<p>0-49% = Not Achieved 50-84% = Partially Achieved 85% = Fully Achieved</p>										

Assurance Ratings



<p>4. % of reports year to date achieving:</p> <ul style="list-style-type: none"> •Substantial •Reasonable •Limited •No Assurance •Partially Implemented •N/A 	<p>N/A</p>	<p>7% 36% 12% 0% 7% 38%</p>	
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