

The London Borough of Barnet

Annual Internal Audit Opinion

2020/2021

July 2021

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Executive summary (1 of 6)

Introduction

This report outlines the internal audit work carried out for the year ended 31 March 2021. During the year, Internal Audit reports to the Audit Committee on an exception basis therefore by its nature the annual opinion summarises those exceptions and the work required to improve the control environment; there is less coverage of the positive content from the audits that have been completed, although the opinion does summarise examples of good practice noted.

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.

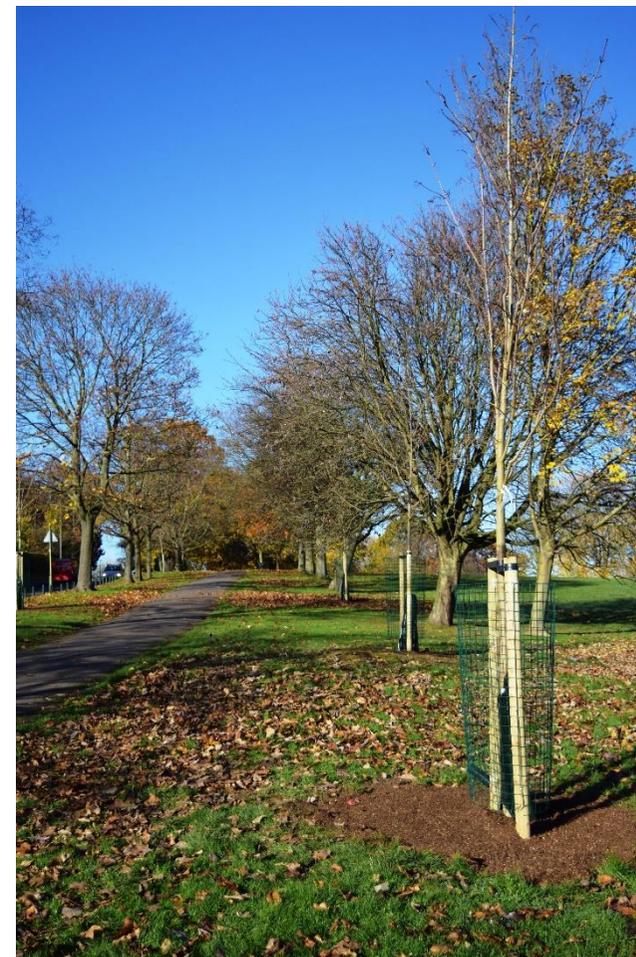
Internal audit work was performed in accordance with the Public Sector Internal Audit Standards 2017.

Due to the impact of COVID-19 throughout the year ended 31 March 2021, 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 support the delivery of front line services. A number of reviews scheduled to be finalised by 31 March 2021 were therefore completed in Q1 2021/22.

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 6)

Opinion

Our opinion is as follows:

Reasonable Assurance

Although some high risk rated weaknesses were identified in individual assignments these are broadly isolated to specific systems or processes.

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.

The impact of Covid-19 on all organisations has been significant and, for many, its full extent has not yet been determined. As such our opinion is subject to the identification of future issues arising from the emergency response to the pandemic.

Direction of travel

2019/20 annual opinion:

Reasonable 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 30 internal audit reviews and 11 schools audits during 2020/21. This identified 2 critical, 18 high, 79 medium and 28 low risk findings to improve weaknesses in the design of controls and/or their operating effectiveness.
- In March 2020 Finance undertook a self-assessment of their financial control environment by comparing/mapping expected control processes (‘principle questions’) to control processes in operation in LBB finance systems. The exercise covered control processes across all key finance functions. It was agreed at the time that Internal Audit would undertake a review later in the year to assess whether the identified controls were operating as expected. This work has now been completed and, although the scope of the reviews differed to in previous years, in general the direction of travel on all the Key Financial Systems audits was either positive or stable; no deteriorations were noted.
- Internal Audit has continued to work closely with the Council’s Corporate Anti-Fraud Team (CAFT) during the year. As part of their work in response to COVID, CAFT reviewed 10,514 applications for COVID-related support from businesses prior to grants being paid, with a total value of £87m. We assisted by reviewing new procedures as they were developed e.g. for the administration of these grants. CAFT’s work has continued to yield significant results, in spite of the challenges posed by COVID, and provides assurance that the Council has maintained its zero tolerance to fraud.
- During 2020/21, internal audit also undertook data analysis of payments made during COVID and did not identify any fraud.
- We have undertaken the assurance work required to date on COVID-related grants paid to the Council by central government, confirming that the grants have been spent in line with the grant conditions. Specifically: Test and Trace Service Support grant (£1.599m), Community Testing Funding Grant (£0.302m) and Emergency Active Travel grant (£0.100m).

Executive summary (3 of 6)

Commentary (continued)

- On Pensions, in previous years the service was under scrutiny from the Pensions Regulator. In 2020/21 pensions data and administration services were transferred from Capita to West Yorkshire Pension Fund and subsequent improvements in service delivery have been noted.
- The performance on implementation of audit actions has improved in 2020/21; we were able to confirm that for the actions followed up, 95% that were due had been implemented by year end. This is above the target of 90% and is an improvement on the previous year when the outturn was 76%.
- The percentage of positive audit reports - those receiving an overall rating of either “substantial” or “reasonable” – decreased from the previous year (80% in 19/20 and 72% in 20/21). However, the two years are not directly comparable due to the impact of COVID: fewer audits were completed (41 this year compared to 63 last year), the higher risk areas of the plan were prioritised and the number of audit reports receiving an assurance classification fell significantly in the year (50 in 19/20 and 25 in 20/21).
- Our schools audit programme for the year was decreased due to school closures during COVID-19 (11 audits were completed compared to 20 in 2019/20). Although overall the assurance ratings given to schools are less positive than last year, this is based on a smaller sample of schools which is also not a like-for-like comparison to the prior year; schools are audited on a cyclical basis and the prior period figures relate to different schools.
- 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. An example noted as part of the Housing Benefits review was that the BACs return resolution/reconciliation for Discretionary Housing payments is carried out monthly instead of weekly (manually) and there are no written processes for this. It was also noted that the reconciliation statements were not reviewed or signed by a senior officer before being passed to finance for necessary action. All of the actions agreed as a result of the Housing Benefits audit have since been confirmed as implemented.
- 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 internal deadlines for activity not being met across the Council. An example noted as part of the Procurement - Contract Procedure Rules compliance review was that 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.
- In the current year, a number of issues were noted relating to roles and responsibilities and staff training. An example noted as part of the Adults Safeguarding review was that at the time of the audit there was no single list of minimum training that should be completed by officers. We noted that whilst attendance lists for training were kept and retained on file, there was no single record of staff attendance at training courses and that there was a lack of detective controls to alert management when training requirements had not been met. We noted that 70% of staff at that time within Adults and Health had not completed the mandatory Safeguarding Level 1 eLearning.
- 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
 - Roles and responsibilities and staff training
 - Oversight and governance arrangements.

Executive Summary – Other issues and sources of Assurance (4 of 6)

COVID-19

Impact on delivery of the 2020/21 Internal Audit plan

During 2020/21, delivery of the Internal Audit plan was directly impacted by the COVID pandemic. Internal Audit staff were redeployed and engagement in audits was more complicated due to services' need to prioritise their work on the COVID-19 response.

The plan agreed by the Audit Committee in July 2020 has been continuously revisited to confirm that audit resources were being used in the most effective and efficient manner. By year end, we were able to report that we had delivered 82%* of the planned work programme, against the usual target of 95%. The two key factors behind this performance were (a) that we 'lost' 300 audit days due to in-house staff being redeployed and (b) audit fieldwork has generally taken longer due to service areas prioritising their COVID response work. At the date of this report, the % delivered and therefore reflected within the Annual Opinion is 90%.

Background and initial response

The UK was put into lockdown on 23 March 2020 in response to the COVID-19 pandemic. At an organisation and system level, the Council and its health and care partners have had to continually learn, test, adapt and respond to the emergent evidence about of the nature of the virus and its impact on both the population and care services (including in the voluntary and community sector) and to the evolving requirements and directions of central government. This challenge has required the Council and partners to work in different ways to support care and to ensure the safety of residents and of staff, including for many through remote or virtual working. The Council has continually adapted local responses to minimise the negative impacts of Covid-19 and to address the interventions needed to reduce its spread. To meet the many challenges posed by Covid-19, emergency governance arrangements were adopted.

A process mapping exercise was undertaken for all of the COVID response workstreams to ensure that lessons were learnt and captured to inform any future 'waves' of the pandemic. This included but was not limited to: the Community Response and Shielded List; Enforcement; Staff Redeployment; Excess Death Planning; Community Testing and Vaccination; Business Grants and Support; IT to support working from home and Business Continuity; Estates and making buildings COVID-secure; HR and Health, Safety & Wellbeing of Staff; and the move to Virtual Committee meetings.

* The % delivered figure is calculated based on the stage each audit has reached at a given point in time:

Work in progress is incorporated as follows:

Not Started	0%
Planning	20%
Fieldwork	50%
Draft Report	90%
Complete	100%

Executive Summary – Other issues and sources of Assurance (5 of 6)

COVID-19 continued

COVID-19 recovery priorities

With the country now emerging from the worst of the health emergency, and whilst still delivering critical and essential services, Barnet has also turned attention to Local Outbreak Control and Recovery Planning. Therefore, as lockdown is eased, some restrictions are lifted and various aspects of life return to normal, there is inevitably an increased risk of a resurgence of Covid-19. Prevention will continue to be key to the Council's approach during this next phase, with a focus on supporting everyone who lives, works and visits Barnet to put in place the necessary measures and adopt those behaviours that are necessary to keep everyone safe. To do this Barnet has created its Local Outbreak Control Plan for COVID-19 infection. The plan is designed to be a live and iterative document and will be regularly updated, as further evidence emerges. The main aims of the Plan are to:

- Build on the existing plans to prevent and manage outbreaks in specific settings;
- Ensure the challenges of COVID-19 are understood;
- Consider the impact on local communities; and
- Ensure the wider system works together to contain the spread of infection locally.

The 2021/22 Internal Audit Plan will continue to consider how key risks arising from COVID-19 are being managed through the internal audits performed.

Other sources of Assurance

- Governance - During the year there has been continued press coverage of a number of high profile governance failings at other authorities (e.g. Croydon, Northamptonshire, Liverpool, Slough). These are being considered by the Council as part of a Governance and Risk review. Actions plans will be put in place to ensure that the failings identified are not at risk of emerging in Barnet, including continued monitoring of a 'S114 traffic light' report around financial resilience.
- Data Analytics: As part of the 2020/21 plan agreed at the Audit Committee in July, we committed to undertaking analysis of transactions made after controls were adapted or relaxed in response to the COVID crisis. This work was split into two phases, with the first phase looking at Emergency Payments and Purchase Card payments and the second phase looking at Accounts Payable, Contractor Spend and Revenue Assurance. We have not identified any potential fraudulent transactions, however we have made a number of process improvement recommendations to finance as a result of this work.
- As part of the ongoing Post-Payment Assurance work required by BEIS over COVID grants paid to businesses, we are documenting the 'three lines of defence' over the grants paid out and undertaking retrospective spot checks. There is more detail on the extensive pre-payment checks completed by the Council within the CAFT slides of the opinion.
- Family Services completed an annual self-assessment which was discussed with Ofsted in November as part of the 'Annual Conversations' on Education and Social Care.

Executive summary (6 of 6)

Other sources of Assurance (cont)

- Internal Controls Board: this has continued to meet on a monthly basis during the year, with Internal Audit setting the agenda and calling people to attend if audit recommendations have not been implemented as agreed. It is also an opportunity for regular engagement between Internal Audit and senior stakeholders, particularly in Finance, CSG and Re.

Implications for next year's plan

The Institute of Internal Audit (IIA) commented in August 2020 that 'The need for an annual plan has diminished, internal audit needs to be responsive to stakeholder requirements and requests from across the business. By putting a 12-month plan in place, we end up making so many changes to it that at the end of the 12-months it bears no resemblance to the 12-month plan at the beginning of the year'.

Therefore, we are taking a more flexible approach to the 2021/22 operational plan. Instead of presenting a programme of work for the entire year, which may well be subject to change as the COVID situation evolves, we are presenting a provisional plan for the first 6 months. This will be revisited on a quarterly basis and an indicative plan for Q3 and Q4 will be presented to the Audit Committee at the end of Q2.

The indicative plan for the first 6 months incorporates:

- Completion of ongoing work on the 2020/21 audit plan
- Priority audits for Q1 and Q2

We have also included contingency days in the plan to enable us to be responsive to changes in risks throughout the period, respond to the uncertain situation as it evolves, offering responsive advice and support to other services when they need it.

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 cooperation and assistance provided during the year.

Summary of findings - Good practice (1 of 6)

Internal Audit – Good Practice

Internal Audit 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.

Examples noted in the course of our testing

Decision Making Framework – Compliance: In accordance with Article 9 of the Constitution, Chief Officers (Deputy Chief Executive, Executive Directors for Adults, Children and Environment, Director of Finance and Director of Assurance) have delegated powers in respect of all matters which are not key decisions and not reserved for decision by committees or the full Council. Out of a sample of 26 Chief Officer Decisions from the 2019 calendar year, we found that for all 26 decisions, all documentation had been completed, filed and appropriately authorised.

Finance Global Design Principles (FGDP) - Budget Monitoring: We tested a sample of 10 capital virements for correct authorisation in terms of the Financial Regulations, noting that all 10 were approved/authorised in line with the Financial Regulations.

Finance Global Design Principles (FGDP) – Fixed Assets: We were able to report a sound control environment for ensuring the accuracy of fixed asset processing in the fixed asset register and Integra (the Council's Finance system), in the main, through: i) reconciliations between the fixed asset register and Integra; ii) reconciliations between the fixed asset register and fixed asset data in other systems (QL (Housing) and Atrium (Estates)); and iii) sound communication arrangements between Council Finance and Estates, Barnet Homes (Council House dwellings), Legal and Finance Business Partners for identifying acquisitions and disposals for inclusion in the accounts.

Recycling and Waste - Health and Safety: Reporting by the Safety, Health and Wellbeing as part of the Council's Corporate Service confirmed that while incidents were reported for Recycling and Waste for the periods Q4 (19-20) and Q1 (20-21), there were no RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences (at work) Regulations) incidents reported, which was a positive outcome, confirming safe working practices being followed by Recycling and Waste staff.

Barnet Group - Governance arrangements: Overall, it is apparent from the documentation reviewed that there are good governance mechanisms being put in place. The transition of more responsibility to the Barnet Group has been thought through but there are some gaps and inconsistencies which need to be addressed within the documentation and some areas of best practise to be adopted.

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

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 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; authorisation processes; and clarity over key financial controls and processes.

Examples noted in the course of our testing

Housing Benefits: It was identified that the BACs return resolution/reconciliation for Discretionary Housing payments is carried out monthly instead of weekly (manually) and there are no written processes for this. Reconciliation statements were not reviewed or signed by a senior officer before being passed to finance for necessary action. We observed that access to the fraud reporting electronic register is not restricted. There is a risk that unauthorised changes are made to the spreadsheet. We also identified that potential council tax fraud detected from the NFI reports are not forwarded to the CAFT team for action; neither is there any evidence to establish that overpayments above £2,000 are referred to the DWP.

Procurement - Contract Procedure Rules (CPR) compliance: Clarity was needed on when financial assessments of suppliers was 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 opined that all financial evaluation should be done by Council Finance as they were the experts in this area.

Finance Global Design Principles (FGDP) – Accounts Receivable: Issues were noted in relation to credit note processing. We found 214 cases of unallocated credit notes of a total sum of £678,899. 23/214 (10.7%) of these unallocated credit notes have been outstanding for over three years. It was also identified that there is no limit set up on the system relevant to the Manager’s approval limit set up in the delegation of authority. Issues were also noted around systems interfaces. We established within our sample that 2/15 (13%) of the refunds tested were not fully allocated to the invoices. We also established that the invoicing system and the refund systems are not linked together by an interface. We also noted that the customer master files are not replicated in other systems as there is no interface (for e.g. Mosaic, GL Feeder systems).

Finance Global Design Principles (FGDP) – Accounts Payable: It was noted that in 1/13 instances a dual authorisation form was not completed for a purchase order above £1m as required by the “Dual Authorisation for Payments over £1m process note. In addition, defined checks are required to be completed for new suppliers or when supplier details are changed. In 5/24 instances web searches were not completed and the supplier was not contacted for supplier name and supplier contact detail changes.

Summary of findings (3 of 6)

1) Financial control and Fraud risk continued

Examples noted in the course of our testing

Finance Global Design Principles (FGDP) – Non-Schools Payroll: The audit found that whilst there is an overpayment policy in place, it requires more joined-up working between CSG Payroll and Council Finance to ensure all overpayments are captured appropriately and all processes, including the issuance of overpayment letters and the identification of leavers, who have been overpaid, are documented and adhered to. Issues were also noted relating to document retention as Capita switched from using a Customer Relationship Management system (CRM) to Oracle Service Cloud (OSC) in the year. Several documents archived in CRM pertaining to the current financial year were inaccessible and there was a lack of audit evidence to validate areas of testing.

Finance Global Design Principles (FGDP) – General Ledger: Issues around accuracy on the Integra Chart were evidenced. We established that the master files of the Financial Systems and Controls are not automatically replicated on other systems as expected to reduce manual update of records in other systems, the systems are not synchronised as each of them work and exist in isolation. In addition, we found that there is no regular mechanism in place to examine the Chart of Accounts.

Finance Global Design Principles (FGDP) – Cash and Bank: It was noted that the Council's bank account listing and Council's bank authorised signatory list were not fully up to date. The new Pension Fund contributions bank account was not reflected on the bank account listing. Four Council-controlled bank accounts did not appear on the bank authorised signatory list and we noted eight instances where the bank authorised signatory listing referred to officers who did not work at the Council. It was also identified that access to the Council's Integra Cash Management module was not restricted to those officers requiring access strictly in line with their cash and bank related roles.

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

Procurement - Contract Procedure Rules (CPR) compliance: 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. In addition, the completion of Procurement Declaration of Interest (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.

Recycling and Waste - Health and Safety: Recycling and Waste frontline staff are required to sign the Induction checklist – on which all relevant health and safety procedures are recorded – to confirm that they have read stated procedures/risk assessments. There was no evidence that 2/10 (20%) of our sample of Recycling and Waste frontline staff (drivers) had reviewed the required procedures / risk assessment. We also found that the Driver Induction List was not up to date with all relevant procedures. There were two relevant procedure documents/risk assessments provided to us for review which were not reflected on the Driver Induction list, demonstrating a need for their review and update.

Land Charges - Review of Planning Data Controls and Policies: We found instances of inaccurate, incomplete, invalid and duplicated data within Uniform; the system used to process planning applications. During process walkthroughs we were shown examples of property coordinates (polygons) either overlapping each other, drawn on incorrect addresses or entirely missing.

Housing Benefits: It was identified that a number of policies had not been reviewed and revised in accordance with the Council's policy. Management subsequently informed us that these had been updated; however, staff had access to old versions as they had not been removed from circulation. It was also identified that a schedule of updated policies and procedures were not maintained for easy information processing.

Adults Safeguarding: The Adults and Health directorate have signed up to the London Multi Agency Adults Safeguarding Policies and Procedures. We noted that the document was draft and had not been formally issued. Management confirmed that the document is a working document to show current arrangements.

Finance Global Design Principles (FGDP) – Accounts Payable: It was noted within that an update is required to the Children's Scheme of delegation to clarify the financial limits; and an update is also required to the list of manual upload approvers to reflect the £1m authorisation limit associated with the Director of Adult Social Care.

Summary of findings (5 of 6)

3) Roles and responsibilities and staff training

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

Land Charges - Review of Planning Data Controls and Policies: We found multiple instances of undefined roles and responsibilities when processing data within Uniform where data ownership shifts between different parts of the business and it is not clear who is responsible for quality control at different points of the process. Additionally, due to the lack of confidence in the data quality within the Uniform system, the Land Charges team perform manual workarounds such as manually checking outputs of the Total Land Charges (TLC) system to ensure it matches what is held within Uniform, and relying on spreadsheets being sent to them regarding road adoptions which they use to populate the Local Land Charges report.

Adults Safeguarding: We noted that currently there is no single list of minimum training that should be completed by officers. We noted that whilst attendance lists for training were kept and retained on file, there was no single record of staff attendance at training courses and that there was a lack of detective controls to alert management when training requirements had not been met. We asked for training records for the number of officers who had completed the Safeguarding Level 1 eLearning, a mandatory training requirement. We noted that approximately 70% of the current staff within Adults and Health had not completed the training.

Recycling and Waste - Health and Safety: We found instances where Recycling and Waste staff had not attended the required H&S training. The list of drivers provided to us by the Street Scene Transport Service included 19 drivers (over a third of the crew) who were not on the training matrix and so potentially had been excluded from Health and Safety training.

Procurement - Contract Procedure Rules (CPR) compliance: 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.

Housing Benefits: The fraud detecting/reporting team have not had any training from CAFT or any other external body recently to facilitate undertaking their responsibilities. The last training session was in 2017.

Summary of findings (6 of 6)

4) Oversight and governance arrangements

A key recurring theme across audits conducted was that governance arrangements were not in place or consistently defined. Appropriate governance arrangements are important as they play a key role in mitigating risks in the control environment.

Examples noted in the course of our testing

Pensions Administration Governance Transition: No data improvement plan has been agreed to address the backlog which will be inherited by West Yorkshire Pension Fund, or to improve the quality and completeness of member data post transition. In addition, the project and subsequent project reporting does not consider the necessary improvements required to the pension administration provision and key interdependencies.

Cambridge Education Assurance Mapping: We noted there is a lack of third line of defence regarding the Education Welfare Service and second line depends on several KPIs. Similarly, there is no third line of defence relating to the Post 16 Education and Skills Service.

Procurement - Contract Procedure Rules (CPR) compliance: 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.

Recycling and Waste - Health and Safety: We reviewed Health and Safety Key Performance Indicator (KPI) / PI reporting such as "Number of Full Time Equivalent (FTE) days lost owing to incidents/accidents" for Health and Safety performance reporting. We found there were no KPIs in place or reporting of performance as expected, for example days lost due to incidents / accidents. Street Scene management indicated that the development of KPIs and related reporting was in progress. The development of all Health and Safety KPIs would be progressed via the Street Scene Health & Safety Working Group.

Barnet Group - Governance arrangements: It was noted that the intended governance structure does not have formalised reporting and escalation routes between the Barnet Group Strategic Review ('the Strategic Group') and the Barnet Group's Governance Structures (i.e. Barnet Group Boards). On general review of the documents it was noted that there was no evidence of where the Barnet Group Strategic Review or the Barnet Group's Boards would publish their agendas, minutes and annual reports. In addition, from the documents inspected we could not determine if the Strategic Group and the Barnet Group's Boards would be included within the Council's annual governance statement.

Internal audit work conducted (1 of 4)

We completed 30 non-schools audits and advisory reviews in the year ending 31 March 2021. 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 - Limited Assurance

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Housing Benefits	Limited	-	-	7	2	-
Land Charges – Review of Planning Data Controls and Policies	Limited	-	2	-	-	-
Procurement - Compliance with Contract Procedure Rules (CPRs)	Limited	-	1	8	-	-
Finance Global Design Principles (FGDP) - Accounts Receivable	Limited	-	1	3	-	-
Total	4	-	4	18	2	-

Results of individual assignments - Reasonable Assurance / Partially Implemented

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Adults Restructure - Strategic Risk around Safeguarding	Reasonable	-	1	2	-	1
Waste - Health & Safety	Reasonable	-	1	2	-	-
Finance Global Design Principles (FGDP) - General Ledger	Reasonable	-	-	2	3	-
Finance Global Design Principles (FGDP) - Accounts Payable	Reasonable	-	-	3	-	1
Finance Global Design Principles (FGDP) - Cash and Bank	Reasonable	-	-	4	-	-
Finance Global Design Principles (FGDP) - Non-Schools Payroll	Reasonable	-	-	2	1	-
Regulation of Investigatory Powers Act (RIPA) 2000: Compliance with IPCO Report	Partially Implemented	-	-	-	-	-
Total	7	-	2	15	4	2

Results of individual assignments – Substantial Assurance

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Decision making framework – compliance	Substantial	-	-	-	1	-
Finance Global Design Principles (FGDP) - Budget Monitoring	Substantial	-	-	1	-	-
Finance Global Design Principles (FGDP) - Fixed Assets	Substantial	-	-	2	-	-
Total	3	-	-	3	1	-

Internal audit work conducted (2 of 4)

Results of individual assignments – No Report Classification

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Cambridge Education Assurance Mapping	N/A	-	-	1	-	2
Pensions Administration Governance Transition	N/A	-	4	4	2	-
COVID 19 Response and Recovery - Realtime Transaction Analysis (Phase 1)	N/A	Associated actions agreed				
Total	3	-	4	5	2	2

Results of individual assignments – Claim and Grant Verification

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
Community Testing Funding Grant	Claim verified	Compliance audit – ratings not assigned				
Test and Trace Service Support grant	Claim verified	Compliance audit – ratings not assigned				
Emergency Active Travel Grant	Claim verified	Compliance audit – ratings not assigned				
Disabled Facilities Grant 2018/19	Claim verified	Compliance audit – ratings not assigned				
Disabled Facilities Grant 2019/20	Claim verified	Compliance audit – ratings not assigned				
Local Bus Subsidy Grant	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - PBR Q1	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - PBR Q2	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - PBR Q3	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - PBR Q4	Claim verified	Compliance audit – ratings not assigned				
Troubled Families - 2019/20 Q4	Claim verified	Compliance audit – ratings not assigned				
Total	11					

Results of individual assignments – Management Letters

Review	Report classification	Number of findings				
		Critical	High	Medium	Low	Advisory
18-25s Budget Service Review	Management letter issued	Associated actions agreed				
Barnet Group - Contractual/Governance arrangements - Advisory	Management letter issued	Associated actions agreed				
Total	2					

Internal audit work conducted (3 of 4)

2020/21 audits not yet completed and pending classification

A number of reviews scheduled to be finalised by 31 March 2021 are still being completed. These findings will be included in the 2021/22 opinion and have not been included in the analysis of internal audit work conducted in 2020/21.

Ongoing reviews 20/21
COVID 19 Response and Recovery - Realtime Transaction Analysis (Phase 2)
Integra Issue Management
COVID19 Business Grants – Post Payment Assurance
Pension Transition Follow-up
Agency Staff
Construction (Design & Management) Regulations
Brent Cross Regeneration Project
Estates Compliance
Private Residential Blocks – Fire Safety
Land Charges Follow-Up
Project Management Toolkit – Advisory Review
Direct Payments – Data Analysis
Barnet Education & Learning Services (BELS) Governance arrangements
Managing Systems Access Rights - Controcc
Parking - PCN Cancellations
Premises Licensing and Gambling
Equalities Diversity and Inclusion
Adults Debt Recovery

Internal audit work conducted – Summary (4 of 4)

Direction of travel

The following page shows direction of control travel:

Report rating	Trend between current and prior year	Number of reports		
		2020//21	2019/20	2018/19
Substantial		3 (21%)	3 (10%)	2 (8%)
Reasonable		7 (50%)	21 (70%)	16 (67%)
Limited		4 (29%)	5 (17%)	4 (17%)
No assurance		0 (0%)	1 (3%)	2 (8%)
Advisory / NA	N/A	16 (N/A – not rated)	13 (N/A – not rated)	17 (N/A – not rated)
Total		30	43	41

There were two individual assignments with no report classification, where risks were identified. It is noted that for one of these reviews, Pensions Administration Governance Transition, four high risk findings were noted. Appropriate management actions were agreed, and a 'Pension Transition Follow-up' review commenced in April 2021 to follow-up on the implementation of these actions. No significant risks were raised in the other individual assignments with no report classification.

There has been an increase in the number of advisory reviews carried out in 2020/21 in comparison with 2019/20. If we followed the approach used in the 2018/19 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.

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:

- Internal Audit COVID response – Internal Audit reviewed new procedures as they were developed e.g. administration of business grants. 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. Alongside operational work, informal advice was given on the controls in operation at the Hub. Two members of the team were redeployed to support the Community Help Hub, responding to queries and calls for urgent support from residents.
- Cross Council Assurances Service (CCAS) – The Internal Audit team is a lead participant for CCAS and regularly attends Governance Group and Networking Day meetings. Our first Networking Day was held in November 2020 and covered COVID-19, the role of Internal Audit and Unconscious Bias training, and the second Networking Day was held in May 2021 and was extended to include Counter Fraud, with topics including Counter Fraud, and Environmental, Social and Governance (ESG) in Internal Audit. 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 2020/21, London Borough of Barnet was the Lead Borough for the Framework and received income of 1% of the value of work going through the Framework nationally. By 31 March 2021, 30 organisations had signed up to the Framework. Looking ahead to 2021/22, three workstreams have been agreed as part of the overall CCAS Vision, and will cover Technology – Real Time Assurance (the use of technology and approaches such as AI, Bots and Continuous Monitoring to provide more real time assurance), Internal Audit Pathway (helping to shape and deliver a cross CCAS programme for recruiting and developing the next generation of internal auditors), and Exploring alternative methodologies (for instance, including agile internal audit).
- Chartered Institute of Internal Auditors Audit and Risk Awards – our Head of Internal Audit has been nominated for the Inspirational Leader category.
- Duplicate payments – we raised an audit recommendation in October 2019 around utilising AP Forensics software to identify potential duplicate payments. We persevered with following this up and didn't let go of the expectation that finance / Capita deliver this. A historic report was eventually run and in July 2020 it was confirmed to audit there were £220k of duplicates that AP were in the process of recovering.
- We have had numerous requests for ad hoc advice during the year, for example: Bulk vendor creation associated with the urgent move of Wirecard holders to prepaid service PFS (Adults and Family Services Finance teams); Adults replacing imprest cash accounts with pre-paid cards; Finance de-activating suppliers in Integra following identification of duplicate suppliers by AP Forensics; Removal of purchasing groups for requisitioners in Integra; Schools distributing COVID Winter Grants to parents via the 'Wonde' system; changes to the API Exemption list and related documentation.
- Emergency Planning BECC – Internal Audit Manager is a member of the emergency response team.
- 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.

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

Corporate Anti-Fraud Team

This last year has been subject to the working conditions brought about by the Covid-19 pandemic, which saw CAFT officers work from home and, for large parts of the year, being unable to carry out formal PACE interviews, take witness statements or visit suspected offenders in their home addresses. Because of this CAFT has had to carry out more “desk based” investigations and duties and modify the way it works to engage with the members of the public. In addition to this the UK Courts suspended cases being heard and prioritised only the most serious cases where hearings were essential.

From Mid-July most CAFT officers were redeployed to support the high visibility Covid-19 Enforcement street patrols to assist with monitoring, evidencing and enforcing the new Coronavirus Act in relation to new trading rules brought in for businesses in the borough.

Despite these challenges the **Corporate Fraud Team** investigated **119** cases of alleged fraud.

During the year 2020/21 Barnet has also been responsible for assessing and distributing a new grant scheme, set up to support businesses affected by Covid-19 trading rules. Since the start of the grant scheme CAFT have assisted Finance in this scheme and as such carried out a total of **10,514 prepayment fraud checks** on applications valued at **£87,373,609**

The **Concessionary Travel Fraud** Team has investigated **225** cases of alleged Blue Badge misuse as well as Blue Badge and parking permits fraud as well as fraudulent appeals relating to penalty charge notices (PCNs). Of these, **1** case was successfully prosecuted at Magistrates court. A further **31** cases also concluded in Warning letters being sent to the Badge Holders as well as the offenders. There are many cases that are currently waiting for covid regulations to be relaxed so that formal interviews and legal actions can resume.

The **Tenancy Fraud team** has particularly had to work in challenging conditions this year, it has investigated **490** cases of alleged Tenancy Fraud. They were responsible for recovering **3** properties and preventing **2** Right to Buy applications due to the applicants not being eligible to purchase under the scheme. In addition to this Tenancy fraud officers prevented **1** new housing application that were submitted by persons who were not eligible to be housed. There are many cases that are currently waiting for covid regulations to be relaxed so that formal interviews and legal actions can resume.

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

Financial Investigations	2020/21	2019/20
Proceeds of Crime recovery amounts received	£460,500	£2,313,388
Amount allocated to prosecuting authority (LBB)	£165,994	£1,857,421
LBB amount	£57,124.99	£158,283
Re amount	£24,824.99	£1,515,518

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

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

Corporate Anti-Fraud Team

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

Corporate Fraud

	2020/21	2019/20
Number of cases dealt with	118	102
Number of cases closed	69	75
Number of staff no longer employed/ dismissed as a result of CAFT investigation	2	2
Number of on going investigations	49	27

Disabled Blue Badge Misuse and Fraud

	2020/21	2019/20
Number of cases dealt with	225	347
Number of cases closed after successful prosecution	1	37
Number of cases closed with Cautions being Administered	0	74
Number of cases closed with a warning letter sent to badge holder or misuser	32	94
Number of cases closed fraud proven but no further action taken	0	4
Number of cases closed referred to police/HR	1	1
Number of cases closed due to insufficient evidence	43	56
Cases closed, No Fraud	60	7
Number of on going investigations	88	74

Financial Investigations

	2020/21	2019/20
Number of cases dealt with	29	29
Number of closed Financial Investigations	14	3
Number of on going investigations	15	26

Tenancy Fraud

	2020/21	2019/20
Number of cases dealt with	490	496
Number of cases closed property recovered	3	34
Number of Tenancy cases closed no fraud	226	219
Number of Housing Applications refused because of CAFT verification process	2	5
Number of mutual exchanges/ assignments prevented and refused	0	2
Number of Right to Buy cases closed due to application being denied	2	27
Number of Right to Buy closed -validated	117	127
Number of on going investigations	140	85

Whistleblowing referrals

3 whistleblowing allegations were received; an increase from the previous year (19/20: 0).

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.

Corporate Fraud Investigation

This case began due to a Council tenant raising suspicions when he requested a rent refund and was told he had already been paid. Further investigation revealed that a request was made purporting to be from the tenant providing a different bank account. The bank account details belonged to an ex-employee of Barnet Homes, offender 1. Further investigation into his bank accounts revealed that he had received payments from Barnet Homes totalling approx. £44,000. All rent refunds were analysed which revealed a second ex-employee of Barnet Homes, offender 2, had also received rent refunds approx. £22,000 was paid into his bank account.

The fraud was committed by offender 1 telephoning the rents department and purporting to be the genuine tenant. He had details of the tenants as he was an employee within the rental income team at Barnet Homes. After he had left his employment, he took these tenants details with him and continued his offending. Both suspects were arrested and at interview offender 1 gave a full admittance confirming that he conspired with offender 2 and one other person. Offender 2 denied knowledge of the fraud and just assumed the funds were a mistake and spent them anyway. On 31st July 2020 offender 1 pleaded guilty to many counts of Fraud by False representation (Fraud Act) and offender 2 pleaded guilty to 8 counts of retaining a wrongful credit (Theft Act). On 18th August 2020.

Offender 1 was sentenced as follows:

2 years imprisonment suspended for 2 years. 250 hours unpaid work, 5 months electronically monitored curfew with compensation awarded to London Borough of Barnet totalling £5,000

Offender 2 was sentenced as follows:

8 months suspended for 12 months, 150 hours unpaid work with compensation awarded to London Brough of Barnet totalling £600.

Blue Badge Prosecutions

Case 1 relates to the use of a stolen disabled blue badge; the defendant was found guilty on 15 February 2021 at Willesden Magistrates Court of one offence under the Theft Act 1968 and one offence under the Road Traffic Regulation Act 1984. She was given a 6-month conditional discharge.

Tenancy Fraud Investigations

Case 1 – Ms B had a two-bedroom house in Friern Barnet. A referral was received from a neighbour stating the tenant was no longer living in the property. The resulting CAFT investigation found that the tenant was in fact living abroad and had been since 2019. The matter went to civil court where outright possession was granted and an eviction took place to recover the property.

Summary of schools audits (1 of 2)

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”). Schools were closed as a result of the pandemic from April 2020 to September 2020. Headteachers had to ensure school pupils and staff remained safe on their return to school. As a result, the first school audit visit did not occur until 19 October 2020. Schools were closed for a further period from 4 January 2021 to 8 March 2021. At the 2019/20 year end 3 reports had still to be agreed by the school due to COVID-19. These were therefore not part of last year’s Internal Audit Opinion. These audits were finalised in 2020/21. In 2020/21, Internal Audit performed 8 further school visits and undertook 1 follow-up review. 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
Danegrove School	Primary	No	2	5	5	-	-
Frith Manor School	Primary	Limited	-	1	6	1	-
St Joseph’s Catholic Primary School	Primary	Limited	-	1	4	1	-
Edgware Primary School	Primary	Reasonable	-	1	2	2	-
Trent School	Primary	Reasonable	-	-	3	2	-
St Paul’s School NW7	Primary	Reasonable	-	-	4	2	-
Dollis Primary School	Primary	Reasonable	-	-	4	3	-
Menorah High School for Girls	Secondary	Reasonable	-	-	5	3	-
Moss Hall Nursery School	Nursery	Reasonable	-	-	2	2	-
Chalgrove School	Primary	Reasonable	-	-	2	2	-
Osidge School	Primary	Substantial	-	-	1	1	-
	Total	11	2	8	38	19	-

Summary of schools audits (2 of 2)

Direction of travel

Report rating	Trend between current and prior year	Number of reports		
		2020/21	2019/20	2018/19
Substantial	↓	1 (9%)	3 (15%)	4 (17%)
Reasonable	↓	7 (64%)	15 (75%)	16 (70%)
Limited	↓	2 (18%)	2 (10%)	3 (13%)
No assurance	↓	1 (9%)	0 (0%)	0 (0%)
Total		11	20	23

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

Each school will normally 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. This year, due to COVID-19, it was not possible to visit as many schools as in prior years (20 in 19/20 and 11 in 20/21) . Therefore, the trend should be viewed in the context of this not being a typical year.

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 include the first schools report issued as No Assurance since prior to 2014. The school Bursar at Danegrove school left the school two weeks before the Internal audit visit in February 2021. Critical findings included bank payments made by the Bursar through online banking using the Headteacher and Deputy Headteacher's online authority. Payments had been made in this way for one year prior to the audit visit. Payments through the school bank account were not supported by filed invoices authorised by a senior member of staff.

Three High priority findings related to the schools not being able to set a balanced budget for the year. The Scheme for financing schools states that Schools cannot set, and Governing Bodies cannot approve a deficit budget.

The results of other 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, 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.

School Financial Value Standard (SFVS) review: we were unable to confirm that schools had adequate arrangements for audit of voluntary funds, and an up to date asset register 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 (H) priority and a sample of medium (M) 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 met. For 2020-21 95% (75/79) of actions (previous year 76%) were implemented in year. The improvement is attributable to a combination of fewer audits being completed during 2020-21 owing to the impact of Covid on overall delivery and redeployment of Internal Audit staff for a significant period of the year and a focus by Internal Audit on chasing responsible officers for the prompt completion of actions. The percentage of in-year actions implemented within original or agreed revised timeframes is lower at 42% (previous year 49%) owing mainly to responsible officer work commitments that prioritised the COVID response. However, continual progress monitoring by Internal Audit aims to ensure that actions are still completed by the 31 March each year; this was achieved with 95% of all actions due by 31st March having been confirmed as Implemented by year end.

Implementation analysis against follow-up target of 90%

Details	High	Medium	Total	Implemented	% Implemented by 31 March 2021	Actions implemented in line with agreed / revised timescales	% implemented in line with agreed / revised timescales
Follow-up actions carried forward from 19 / 20	9	40	49	47	96%	1	2%
Follow-up actions due 20 / 21 (in year)	14	65	79	75	95%	33	42%
Follow-up actions raised 20 / 21 but due 21 / 22	26	5	31	N/A	N/A	N/A	N/A
Total	49	110	159	122	NA	N/A	N/A
Total due by 31 March 2021	23	105	128	122	95%	34	27%

Quarterly implementation performance

Quarter reported	Implemented	Actions implemented in line with original / revised timescales	% implemented in line with original / revised timescales
Q1/Q2	67	26	39%
Q3	35	1	3%
Q4	20	7	35%
Total	122	34	28%

Follow up work conducted (2 of 5)

Results of follow up work

Audit title	Number of High priority agreed actions	Number of Medium priority agreed actions	Total number of agreed actions	Status of agreed actions at 31 March 2021		
				Implemented	Ongoing	Not yet due
Pension Fund Finance and Investment July 2019 (outstanding at 31/3/2020)	1	2	3	2	1H	
Equalities data - quality and analysis November 2018 Q1 (outstanding at 31/3/2020)	2		2	2		
Banking and Payments Arrangements – Accounts Payable (outstanding at 31/3/2020)	1	7	8	8		
Investing in IT (outstanding at 31/3/2020)	1		1	1		
Domestic Violence (outstanding at 31/3/2020)	1		1	1		
Council Tax/NNDR/Housing Benefits - Housing Benefits (outstanding at 31/3/2020)		2	2	2		
Accounts Receivable (Debt Management) – outstanding 31/3/2020		2	2	2		

Follow up work conducted (3 of 5)

Audit title	Number of High priority agreed actions	Number of Medium priority agreed actions	Total number of agreed actions	Status of agreed actions at 31 March 2021		
				Implemented	Ongoing	Not yet due
Highways Programme August 2019 Q2- outstanding 31/3/2020	1		1		1H	
Integra Access and Program Change Management ("APCM") December 2018 - outstanding 31/3/2020	1	2	3	3		
Cash and Bank- outstanding 31/3/2020		18	18	18		
Accounts Receivable (Invoicing) - outstanding 31/3/2020	1	7	8	8		
Revenue Budget Monitoring		8	8	8		
Adults Safeguarding	6		6	6		
Teachers Pensions	1		1	1		

Follow up work conducted (4 of 5)

Audit title	Number of High priority agreed actions	Number of Medium priority agreed actions	Total number of agreed actions	Status of agreed actions at 31 March 2021		
				Implemented	Ongoing	Not yet due
Schools Payroll		3	3	3		
St Mary's CE	1		1	1		
GT 20 Capital Budget review		1	1	1		
Non-Schools payroll		3	3	3		
Key Financial systems - General Ledger		9	9	9		
Treasury Management – Compliance with investment strategy		1	1	1		
Public Sector Equality Duty Compliance		12	12	9	2M	1

Follow up work conducted (5 of 5)

Audit title	Number of High priority agreed actions	Number of Medium priority agreed actions	Total number of agreed actions	Status of agreed actions at 31 March 2021		
				Implemented	Ongoing	Not yet due
Housing Benefits		20	20	20		
COVID Transaction analysis Phase 1	6	9	15	13	2M	
Pension Fund Administration Governance	4	4	8			8
Land charges - Review of Planning Data Controls and Policies	16		16			16
Edgware Primary School	4		4			4
Frith Manor School	2		2			2
Total	49	110	159	122	6*	31

* 2 high and 4 medium priority actions overdue at year end

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 2020/21 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 2020 to 31 March 2021. 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	<ul style="list-style-type: none"> Critical issue where action is considered imperative. Action to be effected immediately.
 High	10 points per finding	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 to 12 months.
 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 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%	95%	Target achieved
Efficiency			
• % of plan delivered	95%	82%	Target partially achieved Note: This was the % delivered by 31st March 2021 as reported in the Q4 Progress report. Delivery was adversely affected by COVID-19 during the year. Findings from audits completed since year end have been included within this Opinion where the majority of fieldwork had been completed in 2020/21.
Quality of Service			
• Average auditee satisfaction score	85%	67%	Target partially achieved Note: Only 4 survey responses were received during the year, with ratings as follows: Excellent – 1 (achieved target) Good – 1 (achieved target) Adequate – 1 (did not achieve target) Not rated – 1 (unknown therefore not included)

* 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.

Some general areas for improvement were noted however; these will be taken forward as part of the 2021/22 workplan. For example:

- Annual general feedback to be gathered from officers across the Council;
- Internal Audit Charter has been reviewed and slightly updated, this will come to Audit Committee for approval in July;
- Assurance Map to be streamlined and updated;
- Team training log to be more formally documented; and
- Audit Manual updates to be finalised to reflect recent minor changes to approach.

In line with the Public Sector Internal Audit Standards, an external review is required every 5 years. A peer review of Barnet's Internal Audit service will be undertaken by another London Borough during 2021/22.

Appendix 5: Changes to the 2020/21 published plan

The 2020/21 Internal Audit plan was approved by the Audit Committee in July 2020. 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
Integra New Modules and Interfaces	Cancelled	Integra not being used for Asset Management as previously intended by the service
Play and Equipment in Green Spaces – Health and Safety	Cancelled	Agreed with service not a priority area for audit due to increased level of inspections of playgrounds when closing / re-opening during COVID-19
Resident Parking Permits - renewals	Cancelled	Cancelled as agreed with service that there are higher risk areas to focus limited audit resources on
Urgent Care Demand	Cancelled	Cancelled as agreed with service due to other audit work ongoing in service area
Pothole grant	Cancelled	Confirmed no pothole grant was awarded in 19/20 and so the audit was not needed
Expenses	Deferred	Introduction of new Expenses policy delayed due to COVID
Cyber Essentials follow-Up	Deferred	The Cyber Essentials framework is covered by PSN Essentials which will be reviewed as part of contractual obligation
Highways - Health & Safety	Deferred	Deferred to 2021/22 as agreed with the service due to contractor change
Barnet 2024 Transformation – Review of a key project	Deferred	Deferred to 2021/22 due to changes in the Project Management function
Schools Themed Review	Deferred	Deferred as agreed with Director that not a priority during COVID response
Schools audits (various)	Deferred	Schools closed due to COVID-19
Barnet Group - Fire Safety Projects / Building Control	Merged	Merged into review of Private Residential Blocks – Fire Safety (currently at planning stage)
CDM Regulations	Added	Added in agreement with Director
Equalities, Diversity & Inclusion (EDI) Policy and Action Plan – Development and Governance review	Added	Added as agreed within EDI Action Plan
Project Management Toolkit – Advisory Review	Added	Added due to changes being made to Project Management toolkit