



**Audit Committee**  
**14<sup>th</sup> February 2022**

<b>Title</b>	<b>Internal Audit Exception Recommendations Report and Q3 Progress Report 1<sup>st</sup> October to 30th December 2021</b>
<b>Report of</b>	Executive Director of Assurance
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	Yes
<b>Enclosures</b>	<b>Appendix 1</b> - Internal Audit Q3 progress report (1st October to 30th December 2021) <b>Appendix 2</b> – Internal Audit External Quality Assessment report <b>[TO FOLLOW]</b>
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### Summary

Members are asked to note the progress against internal audit recommendations and work completed to date on the Internal Audit Plan 2021-22 and high and medium priority internal audit recommendations.

The Audit Committee formally approved the Internal Audit Plan for Q3 and Q4 of 2021-22 on 15th December 2021, following a verbal update to Committee members on 13th October.

During Q3, the service completed 16 reviews and at that time had delivered 71% of our annual internal audit programme for 2021/22. This is in line with the target for Q3.

There were two reports issued with a 'Limited' Assurance rating in this period.

- QL Housing
- Estates Compliance

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

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

### Q3 Follow-Ups

During Q3, the Internal Audit service followed up on high and a sample of medium priority actions with an implementation date of 30<sup>th</sup> December 2021 or sooner.

A total of 22 high priority and 39 medium priority actions were followed up in this period.

In Q3 the Internal Audit service confirmed the following:

High priority actions: Follow-up Summary	Total	Implemented	In progress	Not Implemented
Total Number of Actions Tested	22	18	4	0
Medium priority actions: Follow-up Summary	Total	Implemented	In progress	Not Implemented
Total Number of Actions Tested	39	36	3	0
<b>Total actions followed up in Q3</b>	<b>61</b>	<b>54</b>	<b>7</b>	<b>0</b>
		<b>89%</b>	<b>11%</b>	<b>0%</b>

At the end of Q3 the Internal Audit service had confirmed 89% high and medium rated actions as implemented or superseded at follow-up. The total was therefore just below the target of 90%.

### Other Matters

#### **Danegrove School**

In Q1 we reported that Danegrove School had received a 'No Assurance' rating. The Committee will recall that a new Headteacher took up her position effective 1 September 2021 and that, in light of the changes occurring at the school, we extended the agreed dates for actions to be implemented to April 2022. We will therefore formally report back to

the Committee in Q1 of the 2022/23 financial year on the progress against this revised deadline.

At the December meeting, the Committee requested that a representative of the School attend a future Committee meeting.

Internal Audit has an agreed escalation process for dealing with unsatisfactory audits, which would lead to action by the DCS under delegated powers once all other steps have been exhausted. Please see the main report for further detail on the escalation process. If a school representative attended the Committee, this could undermine the council's ability to use formal intervention powers should that become necessary.

To provide additional assurance to the Audit Committee, an additional interim follow-up visit is booked for the week of 26<sup>th</sup> January. The Head of Internal Audit will provide a verbal update on the outcome of this visit at the Committee meeting.

### **Estates Compliance**

We completed an audit of Estates Compliance during the quarter which provided Limited Assurance. This report generated 1 'high' and 3 'medium' recommendations (leading to 2 high and 8 medium priority actions).

Management have confirmed that no immediate risk to health and safety resulted from any of the issues identified in this audit report. Remedial works identified in the audit were classified as Priority 1 (safety critical) but that doesn't necessarily mean that they present an imminent risk to health and safety.

Due to the agreed actions having implementation dates of 31<sup>st</sup> December or sooner, we have already completed our follow-up audit. At present, we can report that 1 of the high actions and all 8 medium actions have been implemented. 1 of the high actions has been partially implemented. A revised due date has been set of 31<sup>st</sup> March 2022 for this remaining outstanding 'high' action, which relates to an update to the KPI for remedial works. Good progress has been made. Process changes have already been implemented and agreement of the revised KPI is underway.

### **External Quality Assessment**

The Internal Audit service has been externally assessed as part of the 5-yearly requirement of the Public Sector Internal Audit Standards (PSIAs). The assessment was carried out by the Head of Internal Audit, Anti-Fraud and Risk at Tower Hamlets as part of the London Audit Group (LAG) scheme whereby assessments are undertaken reciprocally across London. The report has assessed the Internal Audit service in Barnet as 'Generally Conforms' with the PSIAs, which is the best rating available.

The report is included as Appendix 2 to this report [TO FOLLOW].

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

During Q3, further London-based and other local authorities have signed up to the CCAS framework, bringing the total number of authorities utilising the call of contract to 38. Barnet receives a 1% levy on all fees going through the Framework. This has so far led to income for Barnet of ~£93k since the Framework commenced on 1st April 2020.

# Recommendations

**That the Committee note the work completed to date on the internal audit Q3 report  
– 1st October to 31st December 2021**

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The Audit Committee's role in receiving this report is to note the overall progress made against the 2021-22 Internal Audit Plan and the high and medium priority recommendations made. In addition, the Audit Committee can inquire of Directors and Assistants Directors as to their progress against recommendations.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The Audit Committee approved the Internal Audit Plan 2021-22 in April and December 2021 and this report notes the progress against that plan and progress against high and medium priority recommendations.
- 2.2 Compliance with the Public Sector Internal Audit Standards.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not relevant.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 The Internal Audit Q3 & Q4 Plan will be delivered and progress against the plan reported to the Audit Committee at future meetings throughout the year.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 All internal audit planned activity is aligned with the Council's objectives set out in the Corporate Plan 2021-2025, and thus supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.
- 5.1.2 A comprehensive Internal Audit Plan is essential to giving an annual Internal Audit Opinion on the internal control environment (ICE) which is fundamental for the achievement of all of the Council's objectives. This opinion forms an integral element of the Annual Governance Statement.
- 5.1.3 The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted.

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 When internal audit findings are analysed alongside finance and performance information it can provide management with the ability to assess value for money.

5.2.2 In addition, the follow-up of audit recommendations will ensure that a positive culture of internal control is achieved.

5.2.3 The proposed plan is being achieved from Internal Audit's current budget.

### **5.3 Social Value**

5.3.1 None in the context of this decision

### **5.4 Legal and Constitutional References**

5.4.1 The Council's Constitution (Article 7) sets out the terms of reference for Committees. The responsibilities for the Audit Committee include providing "independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

5.4.2 The Council also has a duty under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires 'an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England)'.

### **5.5 Risk Management**

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

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

### **5.6 Equalities and Diversity**

5.6.1 Effective systems of audit, internal control and corporate governance provide

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

## **5.7 Corporate Parenting**

5.7.1 None in the context of this decision

## **5.8 Consultation and Engagement**

5.8.1 N/A

## **5.9 Insight**

5.9.1 None in the context of this decision

## **6. ENVIRONMENTAL IMPACT**

6.1 Not relevant to this report.

## **7. BACKGROUND PAPERS**

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

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

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

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

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

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

6.5 Audit Committee 28 April 2021 (Decision Item 8) – the Audit committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan 2021-22 for Q1 and Q2.

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&Mid=10214&Ver=4>

6.6 Audit Committee 15 December 2021 (Decision Item 9) – the Audit Committee approved the Internal Audit Plan 2021-22 for Q3 and Q4.

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&Mid=10998&Ver=4>