



Audit Committee

16th January 2023

Title	Internal Audit Exception Recommendations Report and Q3 Progress Report 1st October to 31st December 2022
Report of	Executive Director of Assurance Head of Internal Audit
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1- Internal Audit Q3 progress report (1st October to 31 st December 2022)
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Summary

The Audit Committee are requested to note the progress against internal audit recommendations and work completed to date on the Internal Audit Plan 2022-23 and high and medium priority internal audit recommendations.

The Audit Committee approved the Internal Audit Plan for 2022-23 on 16th June 2022.

During Q3, the service completed 8 reviews and at that time had delivered 73% of our annual internal audit programme for 2022/23. This is above the target for Q3 of 72%.

There was one 'Limited' report issued in this period:

- St James Catholic High School

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 31st December 2022 or sooner.

A total of 31 high priority and 31 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	Not completed – Transition back to LB Barnet
Total Number of Actions Tested	31	10	15	4	2
Medium priority actions: Follow-up Summary	Total	Implemented	In progress	Not Implemented	Not completed – Transition back to LB Barnet
Total Number of Actions Tested	31	5	19	5	2
Total actions followed up in Q3	62	15	34	9	4
%		24%	55%	15%	6%

At the end of Q3 the Internal Audit service had confirmed 21% actions as implemented or superseded at follow-up. The total was therefore below the target of 90%. A verbal update on any further progress will be given at Audit Committee.

Other Matters

Danegrove School – Work done by CAFT

Following a review at the school in May 2021, CAFT assisted IA with scrutinising processes for payments at the school. Work done by CAFT included scrutinising the finance system schedules, bank statements and credit card statements for the year Jan 2020 – Jan 2021. The review of processes did not identify any malpractice, however, it did reveal a lack of transparency within the processing of payments.

The CAFT Team have not been able to establish without any doubt, any irregular activity; however there remains concerns around transparency in financial accounting processes. This would need further investigation and explanation by the school.

Recommendations

- 1. That the Audit Committee note the general work completed to date on the internal audit Q3 report – 1st October to 31st December 2022.**

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 2022-23 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 2022-23 in June 2022 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 remaining work on the Internal Audit 2022-23 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 The current corporate plan (Barnet Plan 2021-2025) was adopted in March 2021. Following the May 2022 elections, the council now has a new administration and a new corporate plan, consistent with the new administration's priorities will be brought forward shortly
- 5.1.2 All internal audit planned activity in 2022-23 was aligned with the Council's objectives set out in the Corporate Plan 2021-25, and thus supported 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.

5.1.3 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.

5.1.4 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. Regulation 3 of the Accounts and Audit Regulations 2015 requires the Council to ensure that it has a sound system of internal control which:

5.4.2.1 Facilitates the effective exercise of its function and the achievement of its aims and objectives;

5.4.2.2 ensures that the financial and operational management of the authority is effective; and

5.4.2.3 includes effective arrangements for the management of risk.

5.4.2.4 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.’

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

7.1 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 16 June 2022 (Decision Item 13) – the Audit committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan 2022-23.

<https://barnet.moderngov.co.uk/documents/s72956/Appendix%20A%20-%20Internal%20Audit%20CAFT%20Plan%202022-23.pdf>