

Appendix 1

# Audit Committee Annual Report 1<sup>st</sup> April 2022 – 31<sup>st</sup> March 2023

Cllr Arjun K Mitra  
Chair of the Audit Committee  
June 2023

Caring for **people**, our **places** and the **planet**

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**BARNET**  
LONDON BOROUGH

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## 1. Introduction and Overview

1.1 Good corporate governance requires independent, effective assurance about both the adequacy of financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. Good practice from the wider public sector indicates that these functions are best delivered by an independent audit committee. In this context, "independence" means that an audit committee should be independent from any other executive function. Further, the National Audit Office regards "well-functioning Audit Committees as key to helping organisations achieve good corporate governance".

1.2 It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.

Specifically:

1.2.1 **independent assurance** of the adequacy of the control environment within the authority;

1.2.2 **independent review** 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

1.2.3 **assurance** that any issues arising from the process of drawing up, auditing and certifying the authority's annual accounts are properly dealt with and that appropriate accounting policies have been applied.

1.3 Effective audit committees can bring many benefits to local authorities and these benefits are described in CIPFA's *Audit Committees - Practical Guidance for Local Authorities* as:

1.3.1 raising greater awareness of the need for internal control and the implementation of audit recommendations;

1.3.2 increasing public confidence in the objectivity and fairness of financial and other reporting;

1.3.3 reinforcing the importance and independence of internal and external audit and any other similar review process (for example, providing a view on the Annual Governance Statement); and

1.3.4 providing additional assurance through a process of independent and objective review.

1.3.5 Effective internal control and the establishment of an audit committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, an audit committee:

➤ **can give additional assurance through a process of independent and objective review**

➤ **can raise awareness of the need for sound control and the implementation of recommendations by internal and external audit**

### 1.4 **Audit Committee at Barnet Council**

The Council's Constitution, prior to May 2023, included the terms of reference for the Audit Committee, defining its core functions. The terms of reference describe the purpose of the Audit Committee as being:

***“to provide 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.”***

- 1.4.1 To bring additional expertise from the sector and financial capability the Audit Committee also has two independent members.
- 1.4.2 The Audit Committee has a work programme that has been drawn up to effectively discharge its responsibilities as defined by the terms of reference.
- 1.4.3 The Committee relies upon independent, qualified professionals to provide assurance. Directors and Assistant Directors (or equivalent grade) have attended Committee to support the process and to aid in the Committee’s effectiveness/understanding.
- 1.4.4 During the year 2022-23 the Committee undertook all its meetings in the public domain. There were no exempt reports this year.
- 1.4.5 Throughout 2022-23, the Audit Committee was chaired by Councillor Arjun Mittra.
- 1.4.6 As part of the 2022/23 Member Development Programme the following session was delivered for Members of the Council and the two appointed Audit Committee independent Members. The session provided participants with an overview on the following themes:  
**16 June 2022**
  - Role of the Member of the Audit Committee – including approval of the Statement of Accounts
  - Financial Controls
  - Audit and CAFT Plan
  - External Audit Plan
  - Receipt of Internal and External Audit Reports
- 1.4.7 The Chair during 2022-23 continued to require senior officer attendance where there were high priority Audit recommendations and has continued to encourage public participation at the Audit Committee.

## **2. Summary of Audit Committee Outcomes during 2022-23**

- 2.1 During the financial year (April 2022 – March 2023) the Audit Committee has demonstrated many outcomes with a focus on delivering improvement to the organisation. The way in which these were implemented were as follows: -
  - 2.1.1 **Key controls and assurance mechanisms.** The Committee relies upon information presented from qualified, independent and objective officers and external assurance providers. The key controls and assurance mechanisms are as described within the Annual Governance Statement. The Audit Committee is not a working group, it does not

carry out the work itself, but relies on the assurance framework to bring significant issues to the Committee for discussion and make recommendations for the Executive and officers to take forward. The Committee recognises that management are responsible for a sound control environment<sup>1</sup>.

**2.1.2 Cross-Council Assurance Service (CCAS).** The Internal Audit service is delivered through a mixed economy model, which includes an in-house team and external provider, currently PwC. In April 2020, a new Framework contract was signed by London Borough of Barnet with PwC for Internal Audit, Advisory and Anti-Fraud and Mazars for Risk Management. As the contract manager, Barnet receives a 1% contract management fee for all invoiced work going through the Framework, which has a maximum OJEU limit of £50m over the four-year contract term.

**2.2. External Audit financial resilience and value for money.** For 2022/23, BDO will be the Council's appointed external auditors with Grant Thornton UK LLP taking over for a period of for five years from 2023/24 to 2027/28 .

2.2.1 In April 2023, the council's external auditors (BDO) provided an update on the 2020/21 Closure of accounts. The report summarised the results of their work to date for the year ended 31 March 2021, specific audit findings and areas requiring further discussion and/or the attention of the Audit Committee.

2.2.2 Their audit work was substantially complete, and they anticipated issuing their opinion on the Group's financial statements and the Council's use of resources for the year ended 31 March 2021, at Governance, Audit, Risk and Standards (GARMS) Committee in July 2023. An outstanding issue relating to the accounting treatment applied to infrastructure assets (which is a sector-wide issue that could materially impact the Council's financial statements) is currently being reviewed by BDO and we are expecting an update from them at GARMS in July 2023.

2.2.3 BDO have mapped out indicative timelines for the council's future audits after the completion of the 2020/21 audit and have advised that (assuming there is no change in the audit requirement / scope of work and no notable change in capacity within their audit team), they expect to commence planning work for the 2021/22 audit in March/April 2024 with the final audit being completed in November 2024.

2.2.4 For 2022/23 audit, planning is expected to commence in January/February 2025 with final audit completion by July 2025.

**2.3 Improvement agenda** – the Audit Committee is committed to improving shortcomings in the control environment, rather than apportioning blame.

2.3.1 The Audit Committee has been provided with assurances on all internal audit critical and high priority recommendations, and a sample of medium priority recommendations, and the progress against these quarter by quarter. The Audit Committee and its Chair has asked that leading officers (Directors or Assistant Directors / Strategic Leads) to attend the Audit Committee to explain any deficiencies identified by Internal Audit and how they intend to address and action them. The important aspect that the Audit Committee has been assessing each quarter is whether the

<sup>1</sup>The control environment comprises the systems of governance, risk management and internal control

direction of travel from one quarter to the next has been improving via recommendations having been implemented. This focus on improving the control environment through follow-up and discussion has made officers accountable for improvement.

- 2.3.2 Internal Audit followed up a total of 119 recommendations that had been raised and were due to have been implemented by the end of 2022/23. Of those, 96 had been fully implemented by the year end, with 23 ongoing (8 high and 15 medium). The outturn for implementing audit recommendations by year end was 81%, below the target of 90%. This is a deterioration on 2021/22 when 97% were confirmed as having been implemented within revised agreed timescales. The decline is largely attributable to delayed implementation for the Commercial Rents and Lease renewals audit (12 actions not progressed in time). Continual progress monitoring by Internal Audit will ensure that outstanding actions are implemented, the aim always being to ensure that actions are completed by the 31st March each year. Generally, many Services in the Council have focussed and will continue to focus on arrangements for transitioning from Capita back to the Council which may delay prioritising the implementation of audit actions in the medium term.
- 2.3.3 The Audit Committee has continued to pay particular attention to agree audit actions that have repeatedly not been implemented within agreed or revised timeframes. This is reported in a 'slippage' column within the Internal Audit update reports to Committee. The number of critical and high priority audit actions that had not been implemented within agreed timeframes on 3+ occasions was 17, a deterioration on the prior year when the number reported was zero in every quarter apart from Q1, when there were 2 of these actions reported. The 17 actions relate to two audits, Danegrove School (which was No Assurance and had a high number of actions to implement) and Land Charges - Review of Planning Data Controls and Policies, the actions for which were paused due to delays to the His Majesty's Land Registry (HMLR) project and the transition from Re over to LBB.
- 2.3.4 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). The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation and is based on the work performed in 2022-23. The conclusion should be considered in the context of the financial pressures facing the Council in a period where savings are required to be made but there is a greater demand for local services due to the borough's growing population. For 2022-23 a 'Reasonable' Annual Internal Audit Opinion was given. This is consistent with 2021-22, 2020-21 and 2019/20 and an improvement on the previous two years, 2018/19 and 2017/18, when Limited Assurance was given.
- 2.3.5 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"). In 2022-23, Internal Audit performed 20 schools' visits and undertook 5 follow-up reviews. The number of schools reviewed was higher than in the previous year (18 schools visited), as the service returned to normal post-COVID.

2.3.5 The **Internal Audit and the Corporate Anti-Fraud Team (CAFT)** functions, which are organisationally independent from the rest of the Council, have a combined Annual Plan approved annually by Audit Committee which demonstrates their commitment to joint working, making the best use of resources and avoidance of duplication of effort. This also enables them to ensure that any control weaknesses identified through fraudulent activity are followed up with recommendations to strengthen the control environment and noted on the service risk registers.

**2.4 Internal Audit – issues identified** – during the year the Audit Committee has been presented with quarterly reports regarding control weaknesses. Areas that received an Internal Audit ‘No / Limited’ assurance rating, or where an audit report or management letter identified areas of weaknesses and high priority recommendations, are listed below. The Committee has also continued to receive updates on all High priority recommendations within Reasonable Assurance reports where those recommendations are not implemented within the agreed timeframes. Finally, Internal Audit also follow-up a sample of Medium priority recommendations and report the outcome to the Audit Committee.

Review Title	Assurance rating	Number of Critical Priority recs	Number of High Priority recs	Number of Medium Priority recs
Premises, Licensing and Gambling	Limited	0	2	3
Recruitment - Pre-employment Checks	Limited	0	2	3
Cyber Security - Third Party Security and Awareness	Limited	0	1	5
Staff Conduct Standards	Limited	0	1	4
Finance Global Design Principles (FGDP) - Accounts Receivable	Limited	0	1	3
Private Residential Blocks – Fire Safety	Limited	0	1	3
Estates - Commercial Property Rents and Leases	Limited	0	0	8
Land Charges - Review of Outputs	Reasonable	0	1	1
Menorah Foundation School	Limited	0	2	5
Coppetts Wood School	Limited	0	2	5
St James Catholic High School	Limited	0	1	5
Bell Lane School	Limited	0	1	4
Brunswick Park School	Reasonable	0	1	0

**2.5 Anti-Fraud** – The Corporate Anti-Fraud Team (CAFT) were back to fully operational status after all Covid-19 restrictions had been lifted during the year (as detailed in the previous year reports). CAFT operated as three teams targeting specific areas of fraud, they also utilised their specialist financial investigation skills, accredited by the National Crime Agency, to recovery proceeds of crime.

- 2.5.1 **The Concessionary Travel Fraud Team** has investigated **247** cases of alleged Blue Badge misuse as well as Blue Badge and parking permits fraud and fraudulent appeals relating to penalty charge notices (PCNs). Of these, **13** cases were successfully prosecuted at Magistrates court and **50** cautions were administered. A further **41** cases also concluded in Warning letters being sent to the Badge Holders as well as the offenders. **15** Blue Badges were seized from offenders. In addition to these, there are several cases that are currently being progressed to formal interviews and legal actions.
- 2.5.2 **The Tenancy Fraud team** has investigated **525** cases, and which includes the verification of all housing Applications received by Barnet Homes. These investigations led to **1** formal Prosecution for a false succession application resulting in CAFT recovering **£1,595** in compensation. **5** Homeless persons applications for housing, and **2** mutual exchange applications were denied. In addition to this, Tenancy Fraud officers recovered **34** properties this year bringing those properties back into the Council's Housing Stock and saving on the costs of Temporary accommodation. Other cases continue to progress.
- 2.5.3 **The Corporate Fraud Team** investigated 102 cases of alleged fraud, These investigations resulted in **5** cases being referred for disciplinary action, and **19** cases resulting in civil recovery action (**9** of these cases related to the Council Tax Support scheme with **£30,672.69** being identified for recovery and **10** cases relating to Council Tax Single Person Discounts with **£17,902.98** being identified for recovery). **2** Administrative Penalties were issued totalling **£1,436.09** relating to Council Tax Support Offences. There were **4** cases where Council applications were denied resulting in Council savings of **£46,674.04**, which related to **3** Covid Omicron Grants and **1** Insurance claim, and **1** case was concluded where a Council service was refused due to the CAFT investigation which related to Direct Payments.
- 2.5.4 There have been **16 Financial (Proceeds of Crime)** Investigations carried out this year. **9** of these are on-going and recovery of confiscation orders continues. **4** cases were concluded as the full Proceeds were recovered. This year **£422,178.26** has been received via the POCA incentivisation Scheme.
- 2.5.5 **Whistleblowing** matters are also reported to the Audit Committee. **1** whistleblowing allegation was received this year.

2.6 **Planned and unplanned work** – The Committee has completed its work plan in accordance with its planned level of activity as detailed at annex 1.

### **3. Conclusions**

3.1 In conclusion the Audit Committee feels that it has demonstrated that it has added value to the Council's overall Governance Framework.

3.2 The Audit Committee's focus will continue to be ensuring action is taken on internal control deficiencies and reviewing progress on a regular basis as well as a commitment to improving shortcomings in the control environment, rather than apportioning blame.



**Annex 1 – Schedule of actual work 2022-23****Detail of Reports considered:**

<b>Audit Committee Meeting Date</b>	<b>Agenda Items</b>
<b>16 June 2022</b>	<ul style="list-style-type: none"><li>• External Audit Plan 2021/22</li><li>• Grants Certification Work Report 2020/21</li><li>• Update on the Closure of the 2020/21 Statement of Accounts</li><li>• Annual Governance Statement 2021/22 and Code of Corporate Governance 2022/23</li><li>• Internal Audit Exception Recommendations Report and Q4 Progress Report 1st January to 31st March 2022</li><li>• Annual Internal Audit Opinion 2021-22</li><li>• Internal Audit &amp; Anti-Fraud Strategy and Annual Plan 2022-23</li><li>• Corporate Anti-Fraud Team (CAFT) Annual Report 2021-2022</li><li>• Committee Forward Work Programme</li></ul>
<b>15 September 2022</b>	<ul style="list-style-type: none"><li>• Internal Audit Exception Recommendations Report and Q1 Progress Report 1st April to 30th June 2022</li><li>• Update on the Audit of the 2020/21 Statement of Accounts</li><li>• External Audit plan 2021/22</li><li>• Grants Certification Work Report 2020/21</li><li>• Annual Report of the Audit Committee 2021-22</li></ul>

Audit Committee Meeting Date	Agenda Items
	<ul style="list-style-type: none"> <li>• Corporate Anti-Fraud Team (CAFT) Q1 Progress Report 2022-23</li> <li>• Committee Forward Work Programme</li> </ul>
<b>2 November 2022</b>	<ul style="list-style-type: none"> <li>• Update on the Audit of the 2020/21 Statement of Accounts</li> <li>• Internal Audit Exception Recommendations Report and Q2 Progress Report</li> <li>• Grants Certification Work Report 2020/21</li> <li>• Corporate Anti-Fraud Team (CAFT) Q2 Progress Report</li> <li>• Work Programme</li> </ul>
<b>16 January 2023</b>	<ul style="list-style-type: none"> <li>• Update on the 2020/21 Closure of Accounts and the 2021/22 External Audit Plan</li> <li>• Internal Audit Exception Recommendations Q3</li> <li>• Corporate Anti-Fraud Team (CAFT) Q3 Progress Report</li> </ul>