

For General Release

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 16 February 2022
AGENDA ITEM:	
SUBJECT:	Internal Audit Update Report To 31 December 2021
LEAD OFFICER:	Dave Phillips, Interim Head of Internal Audit
CABINET MEMBER:	Councillor Callton Young Cabinet Member for Resources and Financial Governance
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT: Internal Audit's work helps the Council to improve its value for money by strengthening financial management and supporting risk management. Strengthening value for money is critical in improving the Council's ability to deliver services which, in turn helps the Council achieve all its visions and aims. The external auditor relies on the work from the internal audit programme when forming opinions and assessments of the Council's performance.	
FINANCIAL IMPACT The Internal Audit contract for 2021/22 is a fixed price contract of £372k and appropriate provision has been made within the budget for 2021/22.	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the Internal Audit Report to 31 December 2021 (Appendix 1).

EXECUTIVE SUMMARY

- 2.1 This report details the work completed by Internal Audit so far during 2021/22 and the progress made in implementing recommendations from audits completed in previous years.

3. DETAIL

- 3.1 The Internal Audit report (Appendix 1) includes the following:
- a list of all audits completed so far in 2021/22, including audits relating to prior audit plans, but finalised after the start of the current year, and
 - lists of follow up audits completed and the percentage of priority one, and other audit recommendations implemented.
- 3.2 Internal Audit is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole Council, including Members and all levels of management. It is not an extension of, nor a substitute for, good management. The Internal Audit Service is responsible for giving assurance on all control arrangements to the Full Council through the General Purposes & Audit Committee and the Chief Financial Officer (also known as the Section 151 Officer). It also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.
- 3.3 Of the 35 Internal Audit reports finalised since 1 April 2021, 19 (54%) are limited or no assurance.

4. FOLLOW-UP REVIEWS

- 4.1 When Internal Audit identifies risks, recommendations are made and agreed with service managers to mitigate these. The Council then needs to ensure that action is taken to implement audit recommendations. The Council's targets for audit recommendations implemented are 80% for all priority 2 and 3 recommendations and 90% for priority 1 recommendations. The performance in relation to the targets for 2017/18 to 2020/21 audits are shown Table 1.

Table 1: Implementation of Audit Recommendations

	Target	2017/18	2018/19	2019/20	2020/21
Implementation of priority one recommendations at follow-up	90%	100%	94%	84%	58%
Implementation of all recommendations at follow-up	80%	94%	92%	86%	69%

5. PROGRESS AGAINST THE AUDIT PLAN

- 5.1 By 31 December 2021 **43%** (30% last year) of the 2021/22 planned audit days had been delivered and **18%** (8% last year) of the draft audit reports due for the year had been issued. As reported in previous internal audit update reports, delays in completing the 2020/21 audit plan have impacted on the delivery of the 2021/22 audit plan. Although good progress has been made in delivering the 2021/22 audit plan, it is unlikely the full plan will be delivered by

31 March 2022, such that delivery will continue into April and May 2022.

6. FINALISED INTERNAL AUDIT REPORTS

6.1 All finalised internal audit reports are published on the Council's public internet site and these can be found at:

<https://www.croydon.gov.uk/democracy/budgets/internal-audit-reports/introduction>

6.2 In addition, the tables below set out the priority 1 and 2 issues identified at each audit finalised since the last update report to this committee. (Please note that, although some of these audits were included in the annual Head of Internal Audit Report in July 2021, these have been included here as the Committee would not have seen the breakdown of the priority 1 and 2 issues for these.)

6.3

GLL Liesure Contract Management (Substantial Assurance)
No Priority 1 or 2 Issues

6.4

Placement Deposits (Limited Assurance)
No Priority 1 Issues <ul style="list-style-type: none">• There was no policy in place regarding retainer payments, although we noted payments had only been made within Children's Services at the time of our review.
Priority 2 Issue <ul style="list-style-type: none">• Testing of a sample of ten retainer payments within Children's Services identified two payments which had been incorrectly recorded in the Liquidlogic case management system.• From our sample testing we also identified an instance in which a payment was made for a child that did not appear to have been referred to the Care Panel.• The Service does not monitor the use of retainer payments through performance reporting or performance indicators.

6.5

Ordinary Residents (Substantial Assurance)
No Priority 1 Issues <ul style="list-style-type: none">•
Priority 2 Issue <ul style="list-style-type: none">• Details such as the Council's communication with other boroughs, correspondence between Advisors and legal team and decision of the

Secretary of State for disputed cases were neither updated in LiquidLogic (Council's case management system) nor recorded elsewhere by the Council in two cases where the ordinary residents were placed within the Council and one case where the ordinary resident was placed outside the Council out of the five sample cases tested during the audit.

6.6

Blue Badges (Substantial Assurance)
No Priority 1 Issues
<p>Priority 2 Issue</p> <ul style="list-style-type: none"> • The Service's training schedule and matrix showed that on average team members were only confident on 68% of their tasks and that, for four of the tasks, only one member of staff (out of 6) felt confident. • Although 18 of the 58 completed appeals since 1 April 2020 resulted in overturned decisions, no formal lessons learned exercises were being conducted. Furthermore, the time taken to achieve appeal outcomes for 15 of the appeals was greater than 28 days, with the longest taking 74 days. • No qualitative performance measures were in place and monitored.

6.7

Transforming Care (Full Assurance)
No Priority 1 or 2 Issues

6.8

Telephony Procurement – Pre-tender Processes (Full Assurance)
No Priority 1 or 2 Issues

7. CONSULTATION

7.1 The outcome of all audit work is discussed and agreed with the lead service managers. The final reports and audit recommendations are sent for consideration by Departmental Leadership Teams (DLT). Details are circulated and discussed with Directors on a regular basis.

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

8.1 The fixed price for the Internal Audit Contract is £372k for 2021/22 and there is adequate provision within the budget. The Finance team will need to ensure recommendations flagged by the internal audit are implemented to build a robust and efficient finance function.

8.2 In light of the recent financial challenges faced by the Council the finance function is engaging with Internal Audit to ensure the Council acts upon its recommendations to improve financial management and value for money.

(Approved by: Nish Papat, Interim Head of Corporate Finance)

9. LEGAL CONSIDERATIONS

9.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services that the Council should be taking steps to improve the Assurance level within the Council.

9.2 Information provided in this report is necessary to demonstrate the Council's compliance with requirements imposed by Regulation 5 of the Local Government Accounts and Audit (England) Regulations 2015. The Council is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

9.3 The Committee should also note the Council are under a duty (s3(1) Local Government Act 1999) to obtain Best Value and 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.

9.4 When undertaking its Audit functions this Committee's role includes a responsibility:

- To seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- To review (but not direct) internal audit's strategy, plan and monitor performance and make recommendations as appropriate to Cabinet and/or Full Council.
- To review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

9.5 In considering the recommendation in this report the Committee should have regard to the Council's overall governance and financial position. It should be noted that Croydon Council's external auditors published on 23 October 2020 and on 26 January 2022 two separate Reports in the Public Interest which identified governance weaknesses. Further, the Council accepted the findings of a rapid review carried out on behalf of the Department for Levelling Up Housing and Communities (DLUHC). This resulted in Croydon's Improvement and Assurance Panel, the government-appointed panel which provide external advice, challenge and expertise to the Council, along with assurance to the Secretary of State as the Council continues to deliver its renewal plans. They will measure the Council's progress against agreed milestones and report to DLUHC on a quarterly basis.

9.6 This Internal Audit Update Report should be carefully considered. In particular there are a number of LIMITED or NO ASSURANCE level outcomes regarding the audits undertaken to assess the systems of internal control with some outstanding issues that have not been addressed on previous audits undertaken.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Deputy Monitoring Officer.

10. HUMAN RESOURCES IMPACT

10.1 There are no immediate human resources issues arising from this report for LBC employees or staff. Where issues impact on employee terms and conditions of employment, these will be considered through the Council's relevant policies and procedures and in consultation with the trade unions.

(Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives)

11. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS

11.1 When Internal Audit is developing the Annual Audit Plan or individual audit programmes the impacts of the issues above are considered depending on the nature of the area of service being reviewed. Issues relating to these impacts would be reflected in the audit reports and recommendations.

12. DATA PROTECTION IMPLICATIONS

12.1. **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

No.

12.2. There are no immediate data protection issues arising from this report.

CONTACT OFFICER: Dave Phillips, Interim Head of Internal Audit

BACKGROUND DOCUMENTS: Internal Audit report for the period to 31 December 2021 (appendix 1)