

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 25 th November 2021
SUBJECT:	Internal Audit Update Report To 30 September 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:	
<p>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.</p>	
FINANCIAL IMPACT	
<p>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.</p>	

1. RECOMMENDATIONS
1.1 The Committee is asked to note the Internal Audit Report to 30 September 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 29 Internal Audit reports finalised since 1 April 2021, 18 (64%) 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 2016/17 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%	96%	81%	64%
Implementation of all recommendations at follow-up	80%	94%	92%	87%	73%

5. PROGRESS AGAINST THE AUDIT PLAN

- 5.1 By 30 September 2021 **32%** (2% last year) of the 2021/20 planned audit days had been delivered and **10%** (0% 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. Despite this, good progress is being made in delivering the 2021/22 audit plan.

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

Community Care Payments (Limited Assurance)
<p>Priority 1 Issues</p> <ul style="list-style-type: none">• Funding approval for nine of the sample of 16 nursing and residential clients and direct payment clients tested was after the placements had commenced.• Commitment forms were raised more than seven days after the placements commenced for 12 of the sample of 18 nursing and residential clients and direct payment clients tested.• Following authorisation of the commitment forms, delays in inputting the payment details onto SWIFT were identified for nine of the sample of 18 nursing and residential clients and direct payment clients.• Testing of the ad hoc payments process, used for payments other than those on the regular SWIFT payment runs, found that:<ul style="list-style-type: none">○ There was no escalation process if either of the normal approvers was not available;○ A list of the ad hoc payments processed was not held, and○ The ad hoc payments did not contain reference/s to the initial payment request that was late / went wrong.• The payment files created by SWIFT, which contain the payee bank account details, were open to amendment
<p>Priority 2 Issue</p> <ul style="list-style-type: none">• The Remittance advice slips distributed to care providers with each payment run were not always returned signed as required, did not include a fraud declaration and included client names, (instead of client references for example).

6.4

Main Accounting System (Limited Assurance)
Priority 1 Issue <ul style="list-style-type: none">• Examination of the records held for a sample of 10 virements was unable to evidence approval for 6 of these, and approval for 3 was uncertain as the required 'Request For Virement Form' had not been used.
Priority 2 Issue <ul style="list-style-type: none">• Monthly reconciliations for the accounts receivable control account were only held for the months of April 2019 to June 2019, with those for subsequent months being in progress at the time of audit.

6.5

SLWP / Veolia (Limited Assurance)
No Priority 1 Issues
Priority 2 Issues <ul style="list-style-type: none">• An updated Reduction and Recycling Plan (RRP) had not been finalised and agreed despite having been in process since September 2020• The Waste Service budget holder did not have direct access to MyResources for real-time budgeted financial information.

6.6

Disabled Facilities Grants (Limited Assurance)
Priority 1 Issue <ul style="list-style-type: none">• The Council's disabled facilities grant (DFG) application form, which asks for personal information from the applicant, does not include privacy information or any consent.
Priority 2 Issues <ul style="list-style-type: none">• A joint visit, including the client and building surveyor, prior to the works had not been undertaken for two of the sample of 10 applications tested and there was no evidence to suggest this was not required.• A signed 'DFG7 – Notification of completion – all tenures' form was not available for three of the sample of 10 applications tested.• No formal monitoring of the performance targets in the 'Procedure for processing disabled facilities grants' was evident.

6.7

New Supplier set up (Limited Assurance)
Priority 1 Issues

- Instances were identified where iProcurement access had been granted without both the relevant Director authorisation and the Buying Team's approval

Priority 2 Issue

- 31 out of 59 users with iProcurement access had not completed the requisitioner training e-learning module.
- 49 supplier registrations from year 2020 were still pending approval to be set up in the system.
- Testing of a sample of seven new supplier registrations for individuals identified one instance where the supplier was set up without evidence of the IR35 panel's approval.
- Examination of the records held for new suppliers was unable to determine what checks had been conducted for each of these new suppliers.

6.8

CCTV Procurement (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 Internal Audit's planning methodology is based on risk assessments that include using the Council risk registers processes.

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

9. LEGAL CONSIDERATIONS

9.1 The Head of Litigation and Corporate Law comments on behalf of the interim Director of Law and Governance that 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.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law for and on behalf of the interim Director of Law and Governance 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)

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 30 September 2021 (appendix 1)