

LONDON BOROUGH OF CROYDON

REPORT:	Audit and Governance Committee	
DATE OF DECISION	2 February 2023	
REPORT TITLE:	Council's Assurance Framework	
CORPORATE DIRECTOR / DIRECTOR:	Jane West, Corporate Director of Resources and S151 Officer	
LEAD OFFICER:	Dave Phillips, Head of Internal Audit Dave.Phillips@croydon.gov.uk	
LEAD MEMBER:	Jason Cummings, Cabinet Member for Finance	
KEY DECISION? [Insert Ref. Number if a Key Decision]	No	REASON: N/a
CONTAINS EXEMPT INFORMATION?	No	Public
WARDS AFFECTED:	N/a	

1. SUMMARY OF REPORT

- 1.1 This report details the work completed by Internal Audit so far during 2022/23 and the progress made in implementing recommendations from audits completed in previous years.

2. RECOMMENDATION

- 2.1 The Committee is asked to note the Internal Audit Report to 31 December 2022 (Appendix 1).

3. REASONS FOR RECOMMENDATION

- 3.1 In line with the Sector Internal Audit Standards, the Head of Internal Audit is required to provide the Audit and Governance Committee with regular reports on the internal audit activity's performance relative to its plan and other matters.

4. BACKGROUND AND DETAILS

- 4.1 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 Audit and Governance 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.

4.2 The Internal Audit report (Appendix 1) includes the following:

- a list of all audits completed so far in 2022/23, 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.

4.3 Of the 9 Internal Audit reports finalised since the Head of Internal Audit Report, 2 (22%) are limited or no assurance.

FOLLOW-UP REVIEWS

4.4 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 2021/22 audits are shown Table 1.

Table 1: Implementation of Audit Recommendations

	Target	2017/18	2018/19	2019/20	2020/21	2021/22
Implementation of priority one recommendations at follow-up	90%	100%	98%	94%	69%	50%
Implementation of all recommendations at follow-up	80%	91%	93%	90%	82%	61%

PROGRESS AGAINST THE AUDIT PLAN

4.5 By 31 December 2022 the contractor has reported that 25% audits have been issued as draft or final reports, with a further 20% expected to be issued by the end of January 2023. Of the remaining audits, a further 25% are currently in progress, 12% have ToRs issued and are awaiting the start date and the remaining 18% of audits are being planned (ToRs being written) and booked in for the remainder of quarter 4. The contractor remains confident that the audit plan will be delivered by 31 March 2023.

FINALISED INTERNAL AUDIT REPORTS

- 4.6 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>

- 4.7 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 September 2021 (although still in draft at that stage), these have been included here as the Committee would not have seen the breakdown of the priority 1 and 2 issues for these.)

4.8

Fees and Charges (Limited Assurance)
<p>Priority 1 Issues</p> <ul style="list-style-type: none">• Fees and charges were not reviewed during 2019/20 and 2020/21.• Testing a sample of 152 fees and charges (out of 970) confirmed that proposed charges for 2021-22 had not been applied for 45 of these on the Council's website.
<p>Priority 2 Issues</p> <ul style="list-style-type: none">• There was a lack of an overarching policy or procedure notes relating to fees and charges.• Internal Audit was unable to confirm whether 15 of the sample of 21 fees and charges (out of 970 fees and charges) were supported by an adequate information base for cost attribution because the named Lead Officers did not respond to Internal Audit's requests for evidence.• Although requested, we were not provided with evidence of an action plan in response to the findings from the LG Futures benchmarking of fees and charges against other London local authorities.• There was incomplete information in the master data listing for fees and charges.

4.9

Staff Expenses – Compliance Checks (Limited Assurance)
<p>Priority 1 Issues</p> <ul style="list-style-type: none">• Testing of a sample of 30 approved expense items identified ten instances in which no documentation was provided, ten instances where the documentation attached was obscured or blurred, one instance where there was only partial documentation and three instances where the expense was

incorrectly categorised.

- Examination of a sample of 15 expense claims that were submitted between 60 and 90 days after the incurrence of the expense found that none were evidenced as approved by an Executive Director as required. Furthermore, analysis of the PCard and expense report from August 2021 - February 2022 found that 234 expense items (97 expense reports), which were submitted 90 days after the incurred expense, were incorrectly approved. Last year's audit identified 240 expense items that were authorised outside of the 90 days eligibility timeframe

Priority 2 Issues

- A report of staff expense claims could not be provided.
- Testing of the documentation retained for a sample of 10 compulsory car users identified that there was missing documentation for three of these.
- Testing of a sample of 30 expense claims identified two claims which had 'Tax Classification Codes' of GB ZERO or GB EXEMPT, but the invoices/receipts attached to these claims demonstrated that VAT had been incurred.
- While the 'expenses auditor' should help to highlight any issues with expense claims directly with the member of staff that submitted the expense item, there was no evidence of the line managers who had already approved these claims also being notified.
- Eight (all for mileage claims) of the sample of ten potential duplicate expense items tested could not be resolved because of insufficient details and/or a lack of supporting documentation being attached to the claims.
- Analysis of the procurement card and staff expenses report for the period August 2021 to February 2022 found that 233 expense claims (31 Expense Reports) were approved by managers at least 30 days after the claim was submitted.

4.10

Early Help and Parenting (Substantial Assurance)

There were no Priority 1 Issues

Priority 2 Issues

- The Early Help Practice Standard requires review and, where appropriate, updating.
- Performance information on delivery and overdue supervision in the Early Help team contains gaps in the data.
- Inadequate controls over case and performance monitoring for the Parenting Programme.

4.11

UASC – Value for Money (Substantial Assurance)
There were no Priority 1 Issues
Priority 2 Issues <ul style="list-style-type: none"> • Two instances were observed (from a sample of 33 payments towards placement of UASC) where payments for emergency clothing were not supported by receipts and prior agreement • Two instances were observed (from a sample of 12 payments to travel providers) where parking tickets totalling £120 were invoiced to (and paid by) the Council despite not being obliged to pay for parking tickets.

4.12

Food Safety (Limited Assurance)
Priority 1 Issue <ul style="list-style-type: none"> • Insufficient food safety inspections had been conducted (based on figures at 25 February 2022) during 2021/22 to meet the requirements of the FSA Code.
Priority 2 Issue <ul style="list-style-type: none"> • Sample testing highlighted that food safety inspections were not being carried out in a timely manner.

4.13

HRA Accounting (Limited Assurance)
Priority 1 Issues <ul style="list-style-type: none"> • The A lack of evidence existed to verify that discrepancies in reconciliations between the HRA Control Cash and the Ohms Cash Balance were being investigated and resolved. • Examination of the HRA recharges identified that the basis for calculating the recharges to the General Fund had not been reviewed in the current year. It was unclear from evidence retained when the last review was completed.
Priority 2 Issue <ul style="list-style-type: none"> • A review of the HRA Business Plan and the associated documentation found that performance against the business plan was not being evidenced as monitored and reviewed.

4.14

Reserves – General and Earmarked (Substantial Assurance)

There were no Priority 1 Issues

Priority 2 Issues

- Evidence of a Reserves Policy was not made available to Internal Audit.

4.15

Children with Disabilities - Placement Costs and Spend Review (Substantial Assurance)

There were no Priority 1 Issues

Priority 2 Issue

- The Head of Social Work with Families and CWD did not consistently obtain and review monthly budget performance reports.

4.16

Children Services – Performance Management Data Quality (Substantial Assurance)

There were no Priority 1 Issues

Priority 2 Issues

- There was no internal policy or guidance in relation to Performance Management and Data Quality in place at the Council.
- There was not a sufficient number of KPIs in place and measured in relation to the 'Workforce', as advised within published government guidance.

4.17

Tenant Service Charge Calculations (Substantial Assurance)

There were no Priority 1 or 2 Issues

4.18

Leasehold Service Charge (Limited Assurance)

Priority 1 Issues

- An error was identified in the 2021/22 service charge calculation relating to the repairs and maintenance element of the service charge.

Priority 2 Issues

- The departmental policy and procedures need to be reviewed and updated to reflect current practice and legislation.
- Webforms and guidance was unavailable for leaseholders wanting to raise comments, complaints and complements.
- Service charge calculations were only reviewed by a junior officer and evidence of this check was not recorded.
- The major works consultation process was not available to leaseholders on the Council's website.

4.19**Purely Nursery School (Substantial Assurance)****There were no Priority 1 Issues****Priority 2 Issues**

- Only one reference was held by the School for one (a meal supervisor) of the three new starters sampled.
- Evidence of appropriate medical clearance was not provided by the School for any of the sample of three new starters.
- Examination of the supporting documents for a sample of 15 purchases found that six payments had purchase orders dated after the corresponding invoices.
- Examination of the completed 'Croydon Schools Health & Safety Questionnaire' by the School noted some 'red' and 'amber' status areas, which the School will need to address.

4.20**Priory School (Substantial Assurance)****There were no Priority 1 Issues****Priority 2 Issues**

- For The Headteacher's appraisal was completed on the 10 January 2022, which was after the stipulated deadline of 31 December.
- On 13 July 2022 Internal Audit reviewed five equipment Loan Device Agreement forms dated between July 2021 and June 2022, two for teachers and three for students. It was found that one teacher equipment loan document did not have the signatures of the IT Manager or Head Teacher. Furthermore, one of the student equipment loan documents was not fully completed, missing key information such

as parent contact details and the equipment serial number.

- Internal Audit reviewed the school's self-assessed health and safety compliance check list which revealed areas of incomplete or unsatisfactory testing.

4.21

Bensham Manor (Substantial Assurance)
There were no Priority 1 Issues
Priority 2 Issues <ul style="list-style-type: none">• Examination of the documentation relating to 15 purchases made by the School during the period 14 April to 2 August 2022 found that in 9 instances a purchase order was not raised prior to funds being committed. We noted that a non-order form was generated after the transaction had taken place.• The School procurement card holders did not have a Procurement Card agreement outlining the responsibilities and expectations of the card's use.

5. CONTRIBUTION TO COUNCIL PRIORITIES

- 5.1 This process directly contributes to '*OUTCOME 1: The Council balances its books, listens to residents and delivers good, sustainable services*' and part 4 to '*Ensure good governance is embedded and adopt best practice.*'

6. IMPLICATIONS

6.1 FINANCIAL IMPLICATIONS

- 6.1.1 The fixed price for the Internal Audit Contract is £368,000 for 2022/23 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.
- 6.1.2 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.
- 6.1.3 Comments approved by Lesley Shields, Head of Finance for Assistant Chief Executive and Resources on behalf of the Director of Finance. (09/01/2023)

6.2 LEGAL IMPLICATIONS

- 6.2.1** The Head of Litigation & Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Council should be taking steps to improve the Assurance level within the Council.
- 6.2.2** Information provided in this report is necessary to demonstrate the Council's compliance with requirements imposed by Regulation 5 of the Accounts and Audit 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.
- 6.2.3** The Committee should also note the Council are under a duty (s3(1) Local Government Act 1999) as a best value authority 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.
- 6.2.4** When undertaking its Audit functions this Committee's role includes the following responsibilities:
- Oversee internal and external audit, helping to ensure that efficient and effective assurance arrangements are in place
 - To review (but not direct) internal audit's risk-based strategy, plan and resource requirements
 - To review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary
 - To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 6.2.5** In considering the recommendation in this report the Committee should have regard to the Council's overall governance and financial position.
- 6.2.6** The contents of this report, and of the Internal Audit Report 1st April 2022 to 31 December 2022 should be carefully considered, in particular in relation to those Audits where the Assurance Level is Limited, and in relation to the implementation of recommendations.
- 6.2.7** Comments approved by Sandra Herbert, the Head of Litigation & Corporate Law on behalf of the Director of Legal Services and Monitoring Officer. (Date 25/01/2023)

6.3 HUMAN RESOURCES IMPLICATIONS

- 6.3.1** There are no immediate HR impacts arising from this report for Council employees or staff. Actions identified as part of the Expenses audit have been implemented. If any matters should arise these will be managed through the appropriate HR policies and procedures.

6.3.2 Approve by Gillian Bevan, Head of HR Resources and Assistant Chief Executives on behalf of the Chief People Officer (18/1/2023)

6.4 EQUALITIES IMPLICATIONS

6.4.1 The Council is required to comply with the Public Sector Equality Duty [PSED], as set out in the Equality Act 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation-damaging legal challenges.

6.4.2 Comments approved by Gavin Handford on behalf of the Equalities Manager. (Date 25/01/2022)

7. APPENDICE

7.1 Appendix 1 – Internal Audit Report to 31 December 2022

8. BACKGROUND DOCUMENTS

8.1 None

9. URGENCY

9.1 There is none.