

For General Release

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 14 January 2021
SUBJECT:	Internal Audit Update Report To 31 October 2020
LEAD OFFICER:	Simon Maddocks, 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 2020/21 is a fixed price contract of £390k and appropriate provision has been made within the budget for 2020/21.	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the Internal Audit Report to October 2020 (Appendix 1).

2. EXECUTIVE SUMMARY

- 2.1 This report details the work completed by Internal Audit so far during 2020/21 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 2020/21 and audits relating to 2019/20, 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.
 - A reminder of the current year's internal audit work plan.
- 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), who is currently the Director of Finance, Investment & Risk. It also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.
- 3.3 Based on the reports finalised and issued since 1st April 2020, there is not yet enough new evidence to give an indicative overall Assurance level.

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 set for 2014/20 audits are shown Table 1.

Table 1: Implementation of Audit Recommendations

	Target	2015/16	2016/17	2017/18	2018/19	2019/20
Implementation of priority one recommendations at follow-up	90%	100%	98%	100%	85%	77%
Implementation of all recommendations at follow-up	80%	94%	93%	91%	86%	83%

5. PROGRESS AGAINST THE AUDIT PLAN

- 5.1 By October 2020 **17%** (53% last year) of the 2020/21 planned audit days had been delivered and **2.5%** (28% last year) of the draft audit reports due for the year had been issued. The contractor has given assurances that the necessary resources are available to deliver the internal audit plan in-year as usual, but it

is unlikely that the organisation will have the capacity to support a greater level of internal audit activity at this time, so it is likely that the plan will not be completed on time. The delays so far this year have been caused by a number of factors, principle of which was the furloughing of our audit contractor's staff for around three months at the start of the year because of the COVID-19 pandemic.

- 5.2 The current internal audit work plan is attached at appendix 6 of appendix 1. This has been amended slightly since last seen by the committee and as the year progresses it may well evolve further.

6. FINALISED INTERNAL AUDIT REPORTS

- 6.1 At its meeting on 7th October 2020, members of this committee asked to receive more information about individual internal audit reports. 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 report to this committee.

6.3

Azure Back-up Application Audit – (Full Assurance)	
No Priority 1 Issues	
No Priority 2 Issues	

6.4

Contract management – Street Lighting PFI – (Full Assurance)	
No Priority 1 Issues	
No Priority 2 Issues	

6.5

Debt Recovery In-House – (Substantial Assurance)	
No Priority 1 Issues	
Priority 2 Issue <ul style="list-style-type: none">• It could not be evidenced in all cases that sufficient actions had been taken to recover outstanding debts. Furthermore, consistent records of customer developments were not being maintained.	

6.6

Parks Health & Safety – (Limited Assurance)
Priority 1 Issues <ul style="list-style-type: none"> • A Parks Strategy was not in place • Weekly reports of playground area visual inspections were missing in a number of instances • Fire risk assessments for most of the parks and greenspaces (where applicable) required review and, where appropriate, update
Priority 2 Issues <ul style="list-style-type: none"> • The list of responsibilities for the various teams/services involved in parks/greenspaces was generic, lacking any role details of processes • 69 (out of 116) parks had not yet been visited to conduct risk assessments • The central Action Log only included action plans for 5 parks (of the 47 that have been visited) • The Park Programme Board terms of reference was not up-to-date

6.7

Age Assessment Judicial Review, monitoring of costs – (Limited Assurance)
Priority 1 Issues <ul style="list-style-type: none"> • The 2018/19 recharge for 50% of the legal costs incurred for age assessment judicial reviews to the UK Border Agency was overstated. • There was a lack of monitoring and reporting of appropriate statistics on the outcomes or costs of age assessment judicial review cases.
Priority 2 Issues <ul style="list-style-type: none"> • The 'Age assessment information sharing consent form' did not fully provide the information as required by the Data Protection Act (DPA) 2018 and GDPR to comply with transparency requirements. • Statistics, such as the average cost of and success rate in pursuing age assessment judicial reviews, was not known or used in the assessment of whether to pursue these cases. • Formal lessons learned exercises were not conducted following each successful or unsuccessful age assessment judicial review. • Statements of legal charges were not provided in a timely manner.

Fairfield Hall Delivery – (No Assurance)
<p>Priority 1 Issues</p> <ul style="list-style-type: none"> • The licence for access to carry out works in respect of property at Fairfield, College Green issued to BXB did not include specific contract conditions relating to quality or deadline for delivery. • The conditional sale of the Fairfield Car Park agreement was still in draft at the time of the substantive internal audit fieldwork in February 2020. • The Executive Director Place, a director of BXB, was the chair of the Fairfield Board meetings which is a conflict of interests.

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 £390k for 2020/21 and there is adequate provision within the budget. There are no additional financial considerations relating to this report
- 8.2 Internal Audit's planning methodology is based on risk assessments that include using the Council risk registers processes.

(Approved by: Felicia Wright, Head of Finance, Resources)

9. LEGAL CONSIDERATIONS

- 9.1 The Head of Litigation and Corporate Law comments on behalf of the Council Solicitor and Monitoring Officer that the Council should take 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.

(Approved by: Sandra Herbert Head of Litigation and Corporate Law for and on behalf of Jacqueline Harris-Baker Council Solicitor and Monitoring Officer.)

10. HUMAN RESOURCES IMPACT

- 10.1 There are no immediate human resources issues arising from this report for LBC employees or staff.

(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. The Director of Finance, Investment & Risk comments that there are no immediate data protection issues arising from this report.

(Approved by: Lisa Taylor, Director of Finance, Investment & Risk)

CONTACT OFFICER: Simon Maddocks, Head of Internal Audit

BACKGROUND DOCUMENTS: Internal Audit report for the period to October 2020 (appendix 1)