AUDIT AND STANDARDS COMMITTEE
20 July 2022

Title: Internal Audit Annual Report 2021/22	
Report of the Chief Financial Officer	
Open Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: Christopher Martin, Head of Assurance	**Contact Details:** Tel: 020 8227 2174 E-mail: Christopher.Martin@lbbd.gov.uk
Accountable Strategic Leadership Director: Philip Gregory, Chief Financial Officer	

Summary

This report outlines the Internal Audit work carried out for the year ended 31 March 2022.

The Internal Audit annual report contains the Head of Assurance Opinion based on the work undertaken in the year. This is "generally satisfactory with some improvements required".

Recommendation(s)

The Committee is recommended to note the contents of the report.

Reason(s)

To provide an Internal Audit Opinion on the Council's framework of governance, risk management and control that helps to evidence the effectiveness of systems as set out in the Annual Governance Statement.

1   Internal Audit Annual Report 2021/22

1.1   This report outlines the Internal Audit work carried out for the year ended 31 March 2022.

1.2   The report contains the Head of Assurance Opinion based on the work undertaken in the year. This is "*generally satisfactory with some improvements required*". All work was complete at the time of publishing this report.

1.3   The Internal Audit Annual Report is set out at Appendix 1.

2   Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Solicitor

2.1   The Accounts and Audit (England) Regulations 2015 section require that: a relevant authority must ensure that it has a sound system of internal control which—facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.

2.2   Furthermore the Director of Finance has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs.

2.3   The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against it. We will enhance our provision further by making best use of existing legislation, for example the Proceeds of Crime Act 2002, to ensure that funds are recovered, where possible by the Council.

3   Financial Implications

Implications completed by: Katherine Heffernan, Group Manager – Service Finance

3.1   Internal Audit is fully funded as part of the Council's Finance Service. It is a key contribution to the overall management and control of the Council and its stewardship of public money. The recommendations and improvements as a result of its findings will be implemented from within existing resources. There are no further financial implications arising from this report .

4   Other Implications

4.1   **Risk Management –** Internal Audit activity is risk-based and therefore supports effective risk management across the Council.

4.2   No other implications to report

Public Background Papers Used in the Preparation of the Report:

- None

List of appendices:
- Appendix 1: Internal Audit Annual Report 2021/22

Appendix 1: Internal Audit Annual Report 2021/22

Contents:

1. Introduction

This report outlines the work that Internal Audit have carried out for the year ended 31 March 2022.

The Public Sector Internal Audit Standards require the Chief Audit Executive (Head of Assurance) 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). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit & Standards Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The 2021/22 Internal Audit Plan, approved by the Audit and Standards Committee, included 52 audits, consisting of 41 risk and compliance audits, 10 school audits and a project to follow-up prior year work in schools. 52 audits were delivered, consisting of 41 risk and compliance audits, 10 audits of schools and the schools' follow-up work. Reasons for variations in the plan were reported quarterly to the Audit and Standards Committee.

Internal Audit work was performed in accordance with the Public Sector Internal Audit Standards. The annual Internal Audit report is timed to inform the organisation's Annual Governance Statement.

2. Head of Assurance Opinion

I am satisfied that sufficient Internal Audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

My opinion is based on:

- All audits undertaken during the year.

- Any follow up action taken in respect of audits from previous periods.

- Any significant recommendations not accepted and/or addressed by management and the resulting risks.

- The effects of any significant changes in the organisation's objectives or systems.

- Any limitations which may have been placed on the scope or resources of internal audit.

- What proportion of the organisation's audit needs have been covered to date.

My opinion is as follows:

> **Generally satisfactory with some improvements required.**
>
> Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk.
>
> Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

An explanation of the types of opinion that may be given can be found in Appendix 2.

I would like to take this opportunity to thank Council officers for their co-operation and assistance provided during the year.

3. The 2021/22 Internal Audit service

The in-house team consists of four substantive posts - an Audit Manager, two Principal Auditors and an Audit Trainee. Only the Audit Manager and one Principal Auditor posts were filled during the year with the other two remaining vacant. The Principal Auditor achieved the Institute of Internal Auditors qualification during the year. The Head of Assurance is the Council's Chief Audit Executive and splits his time between Internal Audit, Counter Fraud, Insurance and Risk Management. Efforts were made during the year to appoint to the Audit Trainee post but no suitable candidates were found following the recruitment exercise.

The Internal Audit service continued to be supported throughout 2021/22 by Mazars through the Council's contract with LB Croydon (the 'Apex' framework) and PwC via the contract with LB Barnet (the 'CCAS' framework).

Internal Audit has remained independent of the business in 2021/22. As detailed in the Internal Audit Strategy, additional safeguards have been put in place over areas for which the Head of Assurance is operationally responsible.

4. 2021/22 Internal Audit work conducted

The approved 2021/22 internal audit plan consisted of:
- 41 risk and compliance internal audits.
- 10 audits of schools.
- 1 follow-up project of prior year work in schools.

Five risk and compliance audits were added to the plan in the year as follows:

- Climate Change – added in Q1 due to being deferred from the prior year
- HR Service Desk Procurement – added in Q3 when the procurement exercise was identified
- Compliance Health Check – added in Q3 due to an emerging risk from other work
- Cloud IT Provider – Service Management – added in Q4 due to an emerging risk
- Parking Legislation Review – added in Q4 due to an emerging risk

The following five risk and compliance audits were deferred or cancelled as follows:
- Agency Recruitment – deleted in Q2 as the work was incorporated into another project
- CM2000 Care Management System – deferred to 2022/23 in Q2 as the system has not yet been implemented
- Bailiff System Review – deferred to 2022/23 in Q2 as the system has not yet been implemented
- My Place / Be First / Reside Relationship – deferred in Q3 to 2022/23 due to extent of existing unplanned work in My Place
- IT Availability and Capacity Management – deleted in Q4 as the work was incorporated into another project

5. Progress against audit plan

Of the resultant 52 audits (41 risk and compliance and 11 audits of schools), as at 31 March 2022, 23 were at final report and 21 at draft report stage with the remainder still work in progress. The total of 83% at report met the target of 80%.

During April and May 2022, further progress was made in finalising draft reports meaning that, as at 31 May 2022, 42 were at final report, 9 at draft report stage and 2 work in progress. This fell short the target of 100% to have reported by this date due to the late stage of the year when additional pieces of work were required. All 2021/22 work is now complete.

Progress Status	2021/22 31 May 2022		2020/21 31 May 2021		2019/20 31 May 2020		2018/19 31 May 2019	
Final Report	42	81%	34	77%	33	80%	35	90%
Draft Report	9	17%	10	23%	8	20%	4	10%
WIP	1	2%	0	0%	0	0%	0	0%
TOTAL	52		44		41		39	

Progress against audit plan as at 31 May 2022
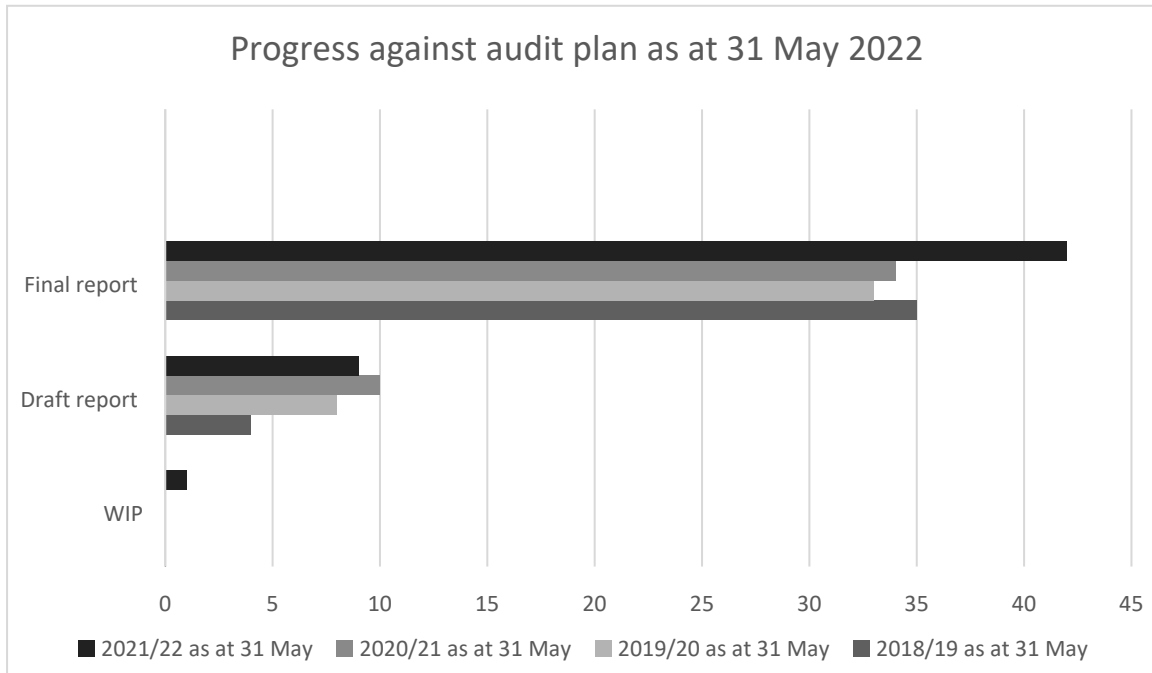
6. Results of the Internal Audit work

Risk and Compliance audits

Internal Audit reports include a summary level of assurance using the following scale:

- Substantial Assurance
- Reasonable Assurance
- Limited Assurance
- No Assurance

Internal Audit findings are categorised Critical, High, Medium and Low risk (or advisory) depending upon the impact of the associated risk attached to the recommendation.
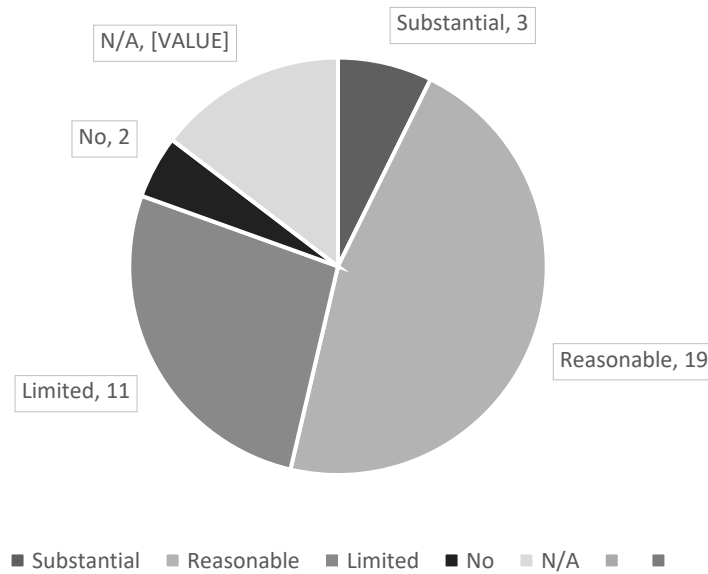
Definitions of the ratings can be found at Appendix 3.

The table below sets out the results of our 42 risk and compliance 2021/22 internal audits:

Audit	Opinion	Number of Findings			
		Critical	High	Medium	Low
Subletting Leaseholders	No Assurance	1	3	2	0
Housing Repairs & Maintenance	No Assurance	0	4	0	0
Temporary Staffing	Limited	0	2	2	2
Accounts Receivable	Limited	0	2	0	1
Council Tax	Limited	0	1	5	1
Procurement Cards	Limited	0	1	6	1
Investment Strategy	Limited	0	2	2	1
CCTV Operation	Limited	0	2	3	0
Parking Legislation Review	Limited	0	1	1	3
Public Health - internally commissioned services	Limited	0	1	2	1
Accuserv - Repairs Management System	Limited	0	1	3	1
Brexit & Covid Impact	Limited	0	2	1	0
Mandatory Training	Limited	0	3	6	0
Be First - Procurement	Reasonable	0	0	2	2
Insurance	Reasonable	0	0	2	1
Accounts Payable	Reasonable	0	0	1	1
Parking Enforcement	Reasonable	0	0	4	0
Well Run Organisation	Reasonable	0	0	1	1
Housing Rents	Reasonable	0	0	1	3
Specialist Intervention Services C/F 2020/21	Reasonable	0	0	2	0
Implementation of Charging Policy	Reasonable	0	0	4	1
Financial Assessment Process	Included within above	-	-	-	-
Care Leavers	Reasonable	0	0	3	0
Procurement of Information Technology Service Management System	Reasonable	0	0	5	0

IT Asset Management	Reasonable	0	0	3	1
Cloud IT Provider – Service Management	Reasonable	0	0	4	1
Core Transformation	Reasonable	0	0	1	1
Procurement of Customer Relationship Management System	Reasonable	0	0	3	0
Barking Market	Reasonable	0	1	4	1
HR Service Desk System Procurement & Implementation Review	Reasonable	0	0	4	0
Payroll	Reasonable	0	1	1	0
DBS Checks - reporting, recording and renewal	Reasonable	0	0	3	0
Housing Benefits	Substantial	0	0	0	1
ERP Implementation - Part 2	Substantial	0	0	0	0
Covid Grant Payments	Substantial	0	0	0	1
Climate Change	N/A - advice	-	-	-	-
Members Expenses and Allowances	N/A - advice	-	-	-	-
Compliance Health Check Proposal	N/A - advice	-	-	-	-
Looked After Children Savings Accounts	N/A - advice	-	-	-	-
Sales fees and charges compensation scheme	N/A - advice	-	-	-	-
Mayor's Account	N/A - advice	-	-	-	-
Total		**1**	**28**	**82**	**27**

2021/22 risk and compliance audits - report classifications

Substantial, 3
N/A, [VALUE]
No, 2
Reasonable, 19
Limited, 11

■ Substantial ■ Reasonable ■ Limited ■ No ■ N/A ■ ■

We issued two No Assurance and eight Limited Assurance reports in the year as follows:

Title	Summary of findings *and current progress to address reported high-risk findings*
Subletting Leaseholders The objective of this audit is to determine whether adequate and effective systems of control in respect to Subletting Leaseholders are in place and consistently applied to meet the Council's requirements and current legislation.	**No Assurance** A critical finding of this audit was that there are currently no documented procedures in place to ensure that that the Insurance Team are notified of all new sublets, change of occupier and Buy Back information. Insurance must hold an accurate record of the occupants of properties for which the Council is the freeholder as the Council's insurer requires that all sublet properties are declared at inception, policy renewal and mid-term. Information had previously been provided to the Insurance team when a sublet registration was completed but sample testing could not be undertaken during this audit due to the backlog of sublet properties to be registered. Audit did identify that Insurance currently lists 1608 properties as being sublet but that the Sales and Leasing Team identified 1389 properties on Open Housing which listed a separate correspondence address which indicates that the property is sublet. There was no single version of the truth. It was also established that there were no wider policies and procedures in place for the registration of sublet leasehold properties and that no leasehold properties have been registered as sublet since March 2020. The Sales and Leasing Team estimate that there are over one hundred outstanding sublets for registration. Audit

	could not identify if fees had been paid but the Sales and Leasing Team believe that some of these may have been. There was also limited management oversight of the process. *A protocol between Sales and Leasing, Council Tax and Insurance to address the critical finding is to be put in place by the end of June 2022. All other actions to be completed by October 2022.*
Housing Repairs and Maintenance The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place relating to the Repairs and Maintenance process for housing.	**No Assurance** The productivity and customer satisfaction metrics of the repairs service have lagged behind other comparable providers despite increasing costs. There is a plan in place to address this post Covid, with an investment being made by the Council to clear the back log of repairs. This will result in the drafting of a new Service Level Agreement (SLA) that sets out the roles and responsibilities of the Council and BDMS. There are currently gaps in the documentation of the procedures that are in place to cover the repairs and maintenance process. It is also noted that at time of audit the new ways of working have not arrested the decline in productivity of the repairs staff used under this contract. There has also been a steady increase in the backlog of repairs and maintenance. This may require a further review of the ways of working of BDMS to achieve the required improvement in performance. This review also identified that in addition to this improvement work there is a need to strengthen some of the internal processes within BDTP. This is particularly evident when it comes to quality checks of repairs work completed. As part of the review evidence of completed quality checks could only be provided for less than half of the repairs sampled. This lack of review of repairs may not be identifying issues with the service delivered or quality of work that are driving poor customer satisfaction. We also noted that the Council has limited ability to determine the cost of the service being provided. This makes it difficult for the Council to have any confidence in the value for money of the service. This is practically important to measure given low productivity of operatives and the high cost of We Fix, the department of the Council that employs the trades people used for repairs and maintenance and are managed by BDTP, creating uncertainty as to whether the service represents good value for money. There are further issues relating to the way cost is managed in the repairs and maintenance process that have been identified and will be explored further as part of

	the BDMS Charging Controls Audit. We identified four high risk findings. These are: - Certification of work done – BDMS has a process in place to certify that work is done to the required quality through post-work photos and tenant signatures. This review identified that 56% of repair records sampled lack photographs and 52% lack tenant signatures limiting the assurance over the quality of the work done. - No formal policy and procedure agreed between BDMS and the Council – The SLA setting out the responsibilities of BDMS and the Council has yet to be agreed. This has resulted in internal policies and procedures not being put in place to cover the repairs and maintenance process. - The Council or BDMS do not have a clear understanding of the full cost of undertaking repairs and maintenance work – The Council does not factor the cost of staff it employs in the costing of repairs work and BDMS cannot track the cost of individual repairs. This limits the Council and BDMS's ability to effectively manage costs, ensure value for money and that all costs are recovered. - Repairs back log – There is a significant repairs and maintenance back log that BDMS believes is due to a shortage of operatives. They have agreed an increase in funding with the Council but this has not yet cleared the back log. *Agreed actions due for completion by September 2022.*
Accounts Receivable The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place for the Accounts Receivable process.	**Limited Assurance – now improved** This review found no issues with respect to the process for raising and processing of invoices. However, we did note that the process for debt management, specifically in relation to chasing overdue debts was adversely impacted due to the limited reporting functionality of the Enterprise Resource Planning (ERP) system that existed at the time. This has been further exasperated by a potential lack of resources to effectively manage and monitor overdue debts as a result of staff having to split time between their typical day-to-day AR roles and assisting with the roll out/testing of the new ERP system. Management were aware of these issues and the implementation of a new ERP system is expected to enable greater automation of the debt management process.

	A review of the process for raising and issuing credit notes found that the at present there is a possibility for staff to raise and approve credit notes, this can potentially expose the Council to credit notes being issued erroneously as well as the possibility of fraudulent credit notes being raised and issued. We identified no critical risks but have raised two high risk findings. These are: • Collection of overdue debts – the ERP system had limited reporting and automation in helping to aid the debt management process. Sample testing of 25 overdue debts identified that 18 overdue debts (with a value of £521k) were noted as not having been chased at the time of audit and of the remaining seven only three had been chased in a timely manner. Failure to properly monitor and manage overdue debts may lead to potentially financial losses and/or poor cash position for the Council if debts are not recovered in a timely manner or become irrecoverable over time. • Credit notes being raised and approved by the same person – We noted two credit notes (total value £850) that were raised and approved by the same officer. This is not allowed under the current policy and without clearly enforced controls requiring independent review and approval of credit notes there exists the possibility for an officer to raise and issue credit notes, leading to erroneous credit notes being raised as well as increasing the possibility of fraud, potentially resulting in financial losses for the Council. *All agreed actions have now been implemented.*
Council Tax The objective of this audit was to determine whether adequate and effective systems of control in respect to Council Tax are in place and consistently applied to meet	**Limited Assurance** Internal Audit established that procedures are in place for all key areas of Council Tax. However, it was identified that the following procedures have not been updated since 2016: • Valuations; • Billing; • Collections; • Debt recovery • Write off. Audit also identified that the Refunds, Discounts & Disregards and Exemptions procedures have not been

the Council's requirements and current legislation.	updated in the previous 12 months. A review of the content of the procedures identified that: • The valuations procedure does not contain an up to date process for receiving information regarding new or altered properties • The Refunds and Write Off procedures do not contain approved values which can be authorised by supervisors, managers and service heads. A further 5 medium risk actions were identified. *Agreed actions due for completion by January 2023.*
Investment Strategy The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place for the Investment Strategy relevant to the potential risks for each scope area.	**Limited Assurance** The Council has an investment strategy in place to guide officers by setting out the criteria for investments made by the Council. This document supports an ongoing portfolio of investments designed to both generate a return for the Council and also support the Council's inclusive growth strategy. These investments are primarily in the form of construction in areas highlighted for regeneration but can include other investments to help generate a return for the authority. These are managed through Be First, a wholly owned company, that runs the Council's regeneration projects. A second wholly owned company, Reside, is then used to manage the properties produced once they have been completed. The Council's investment strategy sets out criteria for approval of these projects based on expected returns as part of detailed financial forecasts. However, this review noted that there is an unresolved conflict between the need to produce these returns and the need for investments to meet the Council's wider regeneration need. This has led to the Council authorising investments that are not permitted by the Investment strategy as it is currently defined. The Council performs stress testing over investments but the results of these are not formally reviewed as part of approval of investments and there is no guidance on their use in the strategy. The approvals of investments against the strategy are the responsibility of the Investment Panel. However, currently they have a limited role in monitoring these investments once approved. This role is instead shared between the Capital Board and the Shareholder Board. This is limiting as it means that the Investment Panel approves investments

	without complete knowledge of the state of the portfolio. It also means that no one within the Council is reviewing the risks to the Council from the investments on a regular basis as no other committee reviews the risks to and performance of the investments.

We identified two high risk findings. These are:

- Forecasting – The Council needs to present forecast returns on investments as part of the approval process. However, we noted that there are a number of issues with these forecasts. The Council and it's two wholly owned companies each use a different set of assumptions such as long term interest rates, rents and discount rates. This leads to issues valuing properties as they are transferred between Be First and Reside, causing delays and reduced returns on the investments based on the final agreed valuers often being lower. The Council has also not set out the criteria through which investments can be accepted with a lower return if they have social value. Finally, we noted that while stress testing is done this is not a requirement of the strategy and is not used to inform the approval of investments.

- Reporting – The Investment Panel does not review investments on a regular basis. This is instead done indirectly by Shareholder Panel and Capital Board, however, these forums do not look at investment returns. This limits the monitoring of returns and in turn lessons learned on the performance of existing investments are not considered prior to approval of new investments.

We have also noted two medium and one low risk finding.

Agreed actions due for completion by January 2023. |
| **Procurement Cards**

The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place over | **Limited Assurance – now improved**

Audit identified that three of the twenty five card holders reviewed had an Amazon Prime account funded by their procurement card. Activity included using the Prime TV function in personal time and using the accounts to obtain free shipping for personal items. Internal Audit was informed that these officers were unaware that this was prohibited.

Six card holders had made accidental or otherwise unidentified purchases during the sample period. Three of the six were only identified during the audit interviews of |

purchase cards during the period April 2021 to August 2021.	which: • one was likely a test purchase made by a fraudster before further fraudulent card usage • one was an ongoing subscription on a colleagues personal account • one was an ongoing personal subscription made via a personal PayPal account. The default payment card stored within PayPal is believed to have been changed for a procurement card transaction, and due to an oversight of the card holder this had not been reverted following the purchase. This resulted in existing subscriptions being charged to the purchase card. Seven card holders were found to have used purchase cards on personal online Amazon accounts. *All agreed actions have now been implemented.*
CCTV Operation The objective of this audit was to ascertain that the Council's Closed Circuit Television (CCTV) is being operated in such a way as to meet the original objectives and rationale behind their installations, and that no individual or groups of individuals are being put at risk or prejudice.	**Limited Assurance – now improved** There are no contractual agreements in place for the two key operating systems used for the delivery of the CCTV Service: • For capturing and recording the CCTV images; • For moving the CCTVs, although this is due to be replaced with a new system. The absence of formal contract agreements for the system increases the risks that the systems are not adequately supported and that in a situation where there are system failures the CCTV Operation might suffer prolonged delays which otherwise could have been avoided or minimised if there were contracts in place that specified Council's expectations. *Internal Audit are waiting for evidence of the contract being signed before closing.*
Accuserv - Repairs Management System The objective of this audit was to evaluate the	**Limited Assurance** The project to implement AccuServ was started in 2020 and completed in 2021. This was heavily disrupted by the Covid pandemic, however it is also now acknowledged by management to have been poorly controlled. This has been seen throughout this audit with limited evidence of key stakeholder sign-off during the original project and limited

design and test the operating effectiveness of key controls in place for AccuServ, the job management system used to schedule and record repairs carried out by BDMS, relevant to the potential risks for each scope area.	planning for the handover to business as usual. Management has not yet formally learned lessons from this, however improvements to AccuServ have been made and work is underway to improve the operation of AccuServ as part of the more general improvement program for BDMS. There are a number of improvements that still need to be made with not all of the interfaces with AccuServ operating effectively, Business Continuity Planning also needs to be updated to reflect the frequency of back up and prevent loss of information and there is a need for formalisation of some roles within the business as usual structure. We have identified one high risk finding: • Interfaces not fully operational – AccuServ is designed to have three interfaces, however currently only one is operating. The one interface that is working is with the Council's's housing system, Open Housing. This interface is currently only one way, however and so any updates made by BDMS have to be put back into Open Housing manually and any houses that are disposed of have been manually removed from the system as the interface does not update for these changes. We have also noted three medium risk findings. *Agreed action due for completion by August 2022.*
Brexit and Covid Impacts The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place for Risk Management relevant to the potential risks for each scope area.	**Limited Assurance** The risks associated with Brexit and Covid have been captured as part of the Council's strategic risk register over the past two years and managed by the central project teams. However, over the past six months the responsibility of monitoring and managing such risks has been transferred to the relevant departments with the expectation that they are managed as part of business as usual (BAU) processes. In order to assess the effectiveness of the management of risks associated with Brexit and Covid disruption at a departmental level, this review looked at the following five departments: HR, Inclusive Growth, Procurement, Adults and Waste Collection. The aforementioned departments were selected due to them being more highly susceptible to Brexit/Covid disruption particularly in relation to cost and staff availability pressures. Whilst we did note some actions being undertaken in each

	department to manage issues/risks related to Brexit/Covid, it was felt that these were undertaken in a reactive manner rather than a proactive approach to identify, monitor and mitigate risks. This may have been due to a lack of a consistent approach being embedded across departments to manage risks. For example, the review identified limited understanding/awareness of the risk appetite of the Council, a lack of a clear approach to maintain risk registers or even a clear approach for reporting risks etc.
	The review identified two high risk findings:
	• Risk registers not maintained at a departmental level – Central project teams created in the past to manage/monitor Brexit and Covid risks have over the past year been wound down with responsibility for managing these risks transferred to relevant departments as part of their BAU activities. However, the review found there to be an absence of any risk registers being maintained within departments to log and monitor any risks on an ongoing basis.
	• Limited understanding of the Council's risk management framework – The Council has a risk management framework in place, however interviews conducted as part of this audit identified that this is not widely understood within the Council. Staff were not able to clearly articulate the risk appetite of the Council, there was a lack of clear accountability for risk management within departments and a lack of a consistent approach to identify, monitor and manage risks. We noted that there is limited understanding of who is responsible for maintaining risk registers, the risk registers that do exist have limited prioritisation of mitigations and there was limited understanding of the process for escalating risks.
	We also noted one medium risk finding.
	Agreed actions due for completion by September 2022.
Mandatory Training The objective of this audit is to determine whether adequate and effective management	**Limited Assurance** Internal Audit established that policies and procedures are not in place for mandatory training and that requirements for completing and monitoring training are not documented. There is also no formal documented frequency of review for the majority of training courses. It was also established that a number of supervisors and managers were not included on the managers' training report so were not undertaking an appropriate level of staff

processes and controls for mandatory training are in place, in order to maintain the integrity of the training provision while meeting the Council's requirements.	training. This oversight appears to have occurred as the officers do not appear on the organisational chart because they have limited IT access. *Agreed actions due for completion by October 2022.*
HR Temporary Staff The objective of the review was to assess the design and operating effectiveness of the controls in place to ensure that London Borough of Barking and Dagenham achieves value for money whilst ensuring it is safeguarding against all potential, identifiable and insurable risks so as to minimise actual financial loss.	**Limited Assurance** All temporary roles must be approved by the Workforce Governance Group, chaired by the Chief Executive. The group meets on a bi-weekly basis to approve which posts can and cannot be recruited to as well as to monitor, review and challenge the engagement of all agency staff. Hiring Managers present their business case for each position to the WGG. Our sample testing of 15 temporary agency workers established a business case was in place for six candidates and these were approved by the WGG. However, minutes of the bi-weekly meetings/action points from the WGG highlighting their approval were not available. Additionally, in four cases we were provided with reasonable explanation of why no Business Case was required/applicable. For five of our sample we were not provided with a Business Case and were unable to confirm the rationale for these. Per the Customer Agreement with Adecco, pre-employment checks for temporary workers are completed by Adecco's Auditors. Once a worker's checks have been cleared, Adecco email LBBD to confirm the worker has passed their checks. The worker can only commence their role once they have cleared the checks. Our sample testing of 15 candidates established a confirmation email from Adecco was in place for 13 out of 15 cases. For the remaining two cases, we were unable to confirm that Adecco had provided confirmation of full completion of pre-employment checks (e.g. Right to work in the UK, references, any relevant qualifications, etc). LBBD do not review the checks completed by Adecco and they are not provided with the candidates' documents unless they specifically request them. As a consequence, direct assurance is not gained over the nature of the pre-employment checks, such as

	conflicts of interest, right to work, etc. being completed. *Agreed actions due for completion by October 2022.*
Public Health The objective of this audit was to assess the design and operating effectiveness of the controls in place to ensure that the London Borough of Barking and Dagenham achieves value for money whilst ensuring it is safeguarding against all potential, identifiable and insurable risks so as to minimise any risks to internally commissioned services within Public Health.	**Limited Assurance** The post for the Lead Commissioner for Community Solutions has been vacant for the whole financial period, 2021-22. We were informed by the Head of Commissioning that the quality of internally commissioned services within Community Solutions have not been monitored since the post has been vacant. The Head of Programme informed audit that recruitment is taking place for this position but has proven difficult to find an individual with the appropriate skill set and knowledge. *Agreed actions due for completion by October 2022.*
Parking Legislation Review The objective of this review was to evaluate the control design and operations of key management controls in place with respect to the design, consultation and implementation of Controlled Parking Zones (CPZs)/ Traffic	**Limited Assurance** This review identified that a clear and documented process is in place for the development of Controlled parking Zones (CPZ)s/Traffic Management Order (TMO)s schemes. The overall approach has been captured in a document titled 'CPZ process', which contains the key steps that are required for the creation of a new CPZ/TMO scheme, running from the design phase, consultation through to implementation. We found that there was a dedicated team for the development and ongoing management of these schemes. Whilst it was clear that a number of expected controls have been implemented as part of the overall process for the development and roll out of schemes, there were still some areas which could be strengthened to improve the overall control environment as set out in the findings section. We

Management Orders (TMOs) as well as the rules relating to vehicle removals and misuse of disabled badges.	identified opportunities to further enhance the recently drafted vehicle removals policy and ensure this and the yet to be updated disabled badge misuse policy are easily accessible by relevant Council staff and the wider public. We identified one high risk rated finding: • Lack of benefits realisation activities – At present there is no clear process/procedure in place for undertaking a review of benefits realisation post implementation of schemes. This means there is no assessment of whether schemes are effective or represent value for money. *Agreed action due for completion by September 2022.*

A critical risk is defined as requiring immediate and significant action. A high risk is defined as requiring prompt action to commence as soon as practicable where significant changes are necessary. Management are expected to implement all critical and high-risk recommendations by the agreed target dates. Internal Audit tracks management progress by way of a chase up or follow up to the audit client accordingly. Slippage in implementing agreed actions does occur and requires management to instigate revised targets and consider ways to mitigate the identified risks.

The following table summarises the critical and high risk findings that have been reported, implemented, were outstanding and were beyond their due date:

	Reported	Implemented	Outstanding	Beyond due date
2019/20	34	32	2	0
2020/21	21	18	3	3
2021/22	29	12	17	0
Total:	**84**	**62**	**22**	**3**

The progress in implementing the high-risk recommendations overdue as at 8 July 2022 has been reported in the following table:

Finding	Agreed Action	Latest progress as reported by management
Tenant & Leaseholder Act Requirements – Limited Assurance		
Audit was informed, as supported by the internal	Management should review all the debts as a	A review of the debt has been undertaken and a

review of major works by Management, that across the 2013 to 2018 financial years over £5m could be written off due lack of consultation or evidence of consultation with Leaseholders.	matter of priority to determine those that could be recovered and those that should be written off and get them approved by the appropriate staff with delegated authority in accordance with the Council's Scheme of Delegation for write-offs. Agreed Date: March 2021	report to SMT issued for a decision on proposed write off. A new Home Ownership Manager has now been appointed and is tasked with addressing this by the revised date. Revised Date: October 2022
There is currently no performance indicator for the recovery of debts relating to Section 20 major works.	Adequate controls should be implemented over the recovery arrangements for Section 20 major works for Leaseholders and KPIs should be set to measure the level and value of recovery. Agreed Date: March 2021	A new Home Ownership Manager has now been appointed and is tasked with addressing this by the revised date. Revised Date: October 2022
Open Housing System – improved to Reasonable Assurance		
The Council recently changed the Hosting Platform from Agilisys Private Cloud to Microsoft Public Cloud making all previous processes relating to business continuity (BC) and disaster recovery (DR) Null and Void. The change in platform means that the Council's BC Plan needs to be re-written, re-create the DR Plan and	Management should work with the Council's IT Operation Team to ensure that the BC&DR Plans are documented and finalised. The plans should be tested, incorporating the Open Housing Suite System, as part of the business critical system. A copy of the test results should be provided showing issues	A DR system is now in place from Microsoft called Azure Site Recovery that takes a snapshot of the running system and stores it in a vault at a secondary site BCP testing for a cyber attack is currently underway and IA have therefore accepted a further revised date to incorporate this work. Revised Date: September 2022

| test them to know their effectiveness.	identified and how they were resolved. Plans should then be tested regularly but at least on an annual basis. Agreed Date: 31 July 2021	

Audits of Schools

Schools within the Borough are audited on a risk basis. The audits of schools are fully outsourced to Mazars, one of the Council's Internal Audit co-source providers, following the initial Risk Assessment by the Head of Assurance.

The objective of these audits is to ensure that the schools have adequate and effective controls with regards to the financial management and Governance of the school.

The table below sets out the results of Mazars 2021/22 Internal Audit work auditing 10 schools:

School	Opinion	Number of findings			
		Critical	High	Medium	Low
Five Elms Primary School	Limited	0	1	1	1
Furze Infants School	Reasonable	0	0	2	2
Gascoigne Primary School	Substantial	0	0	1	1
Godwin Primary School	Reasonable	0	0	2	1
Parsloes Primary School	Reasonable	0	0	4	0
Trinity School (Special)	Reasonable	0	0	2	3
Valence Primary School	Reasonable	0	0	2	2
Village Infants School	Reasonable	0	0	3	1
Warren Junior School	Reasonable	0	0	1	2
Five Elms Primary School	No	0	6	5	7
Prior Year Follow-up Work	N/A	-	-	-	-
	TOTAL:	0	7	23	20

2021/22 audit of schools - report classifications

Substantial, 1

Reasonable, 7

■ Substantial ■ Reasonable ■ Limited ■ No ■
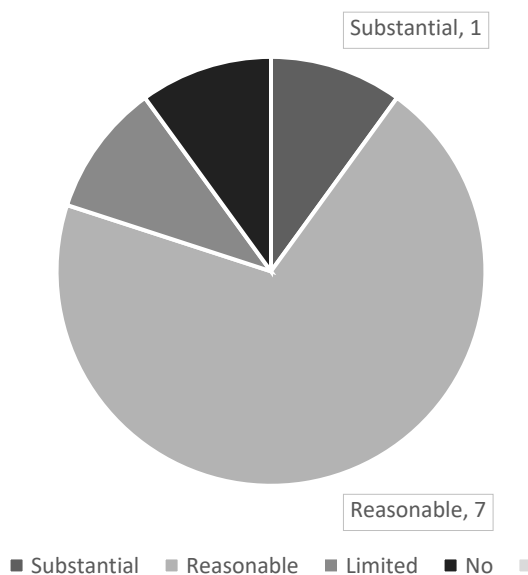
We issued one "No Assurance" school report in the year as follows:

Title	Summary of findings *and current progress to address reported high-risk findings*
William Ford Junior School The objective of this audit was to ensure that William Ford Junior School has adequate and effective controls with regards to the financial management and governance of the school.	Internal Audit were concerned by the apparent absence of key financial records and governance related information. Urgent action is needed to re-establish an effective audit trail at the school and investigate the areas identified to confirm control processes have been followed, and restore functions where needed. Management Organisation - a key area of improvement in an independent review of governance was around governor training and development. However, it was noted that this training has been pushed back on numerous occasions by the governors meaning the training has not yet been completed. There were also attendance issues at some committee meetings, for example those of the pay committee where meetings had taken place at weekends and without the presence of a clerk nor the Headteacher. Staffing - there had been two instances of overpayments and concerns around the payroll provider. The interim SBM was only able to provide audit with the most recent month's payroll report. No payroll reports were provided for Internal Audit reference prior to September 2021.

7. Internal Audit Performance

Purpose	Target	Performance & RAG Status	What it measures
Output Indicators (Efficiency)			
% of 2021/22 Audit Plan completed (Audits at draft report stage)	>25% by 30/09/21	20% - AMBER	Delivery measure
	>50% by 31/12/21	45% - AMBER	
	>80% by 31/03/22	83% - GREEN	
	100% by 31/05/22	98% - AMBER	
Meet standards of Public Sector Internal Audit Standards	Substantial assurance or above from annual review	Confirmed * - GREEN	Compliant with professional standards
Outcome Indicators (Effectiveness - Adding value)			
High Risk Recommendations not addressed within timescales	<5%	8% - AMBER	Delivery measure
Overall Client Satisfaction	> 85% satisfied or very satisfied over rolling 12-month period	100% - GREEN	Customer satisfaction

* Internal Audit for 2021/22 was being provided by a combination of the in-house team, Mazars LLP and PwC LLP. All teams have confirmed ongoing compliance with the Public Sector Internal Audit Standards.

Quality and improvement programme

Internal Audit quality has been maintained through adequate supervision and review processes in the year.

Quality and consistency has been improved through use of revised Terms of Reference and report templates and stability has been achieved through the appointment of a permanent Audit Manager.

Plans are in place to further strengthen quality in 2022/23 particularly through recruitment to the in-house team and the establishment of a London-wide Internal Audit Pathway for trainees.

8. Appendices

1: Limitations inherent to the Internal Auditor's work

We have undertaken internal audit subject to the following limitations:

- **Internal control:** Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overring controls and the occurrence of unforeseeable circumstances.

- **Future periods:** Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the following risks:

  - The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes.

  - The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Opinion

My opinion is based solely on the work undertaken as part of the agreed Internal Audit plan and agreed changes thereto. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and the Audit & Standards Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

2: Opinion types

The table below sets out the types of opinion that I have considered, along with an indication of the types of findings that may determine the opinion given. I apply my judgement when determining the appropriate opinion, so the guide given below is indicative rather than definitive.

Opinion	Indication of when this type of opinion may be given
Satisfactory	• A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and • None of the individual assignment reports have an overall report classification of either high or critical risk.
Generally satisfactory with some improvements required	• Medium risk rated weaknesses identified in individual assignments that are **not significant in aggregate** to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are **isolated** to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk.
Major improvement required	• Medium risk rated weaknesses identified in individual assignments that are **significant in aggregate but discrete parts** of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are **significant in aggregate but discrete parts** of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignments that are **not pervasive** to the system of internal control; and • A **minority** of the individual assignment reports may have an overall report classification of either high or critical risk.
Unsatisfactory	• High risk rated weaknesses identified in individual assignments that **in aggregate are pervasive** to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are **pervasive** to the system of internal control; and/or

	• **More than a minority** of the individual assignment reports have an overall report classification of either high or critical risk.

Disclaimer opinion	• An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either:
	
	  - Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or
	
	  - We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

3: Definition of risk categories and assurance levels

Risk rating	
Critical 🔴🔴	Immediate and significant action required. A finding that could cause: • Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (e.g. mass strike actions); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High 🟠	Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause: • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or • High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium 🟡	A finding that could cause: • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or • Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or • Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low 🟢	A finding that could cause: • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or

	• Minor impact on the reputation of the organisation; or • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost.
Level of assurance	
Substantial 🟢	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.
Reasonable 🟡	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Limited 🟠	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
No 🔴	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.