

AUDIT & STANDARDS COMMITTEE

6 December 2022

Title: Internal Audit Report 2022/23 Q1 and Q2 (April to September 2022)	
Report of the Head of Assurance	
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 - Strategic Director, Finance & Investments	
Summary: This report brings together all aspects of Internal Audit work undertaken to date during 2022/23. The report details audit progress and results to 30 September 2022 and includes details of the overdue high-risk recommendations outstanding and actions being taken by management to address these.	
Recommendation: The Audit & Standards Committee is asked to note the contents of the report.	

1. Risk and Compliance Audits 2022/23

- 1.1. The risk and compliance audit plan has had five new audits added to the plan since the start of the year with one being removed. This is detailed in Section 1.
- 1.2. At the end of Q2, 13% of the plan of risk and compliance audits were at least at draft report stage. This falls short of the target for the end of Q2 which is for 25% of audits to be at draft stage but the plan as a whole remains on track for 100% delivery by the prescribed deadline.

2. School Audits 2022/23

- 2.1. An exercise has been completed to risk assess the schools in the Borough to inform a risk-based schools' audit plan and work is now underway against this plan.
- 2.2. The 55 days allocated to schools' audits has been split amongst 10 schools and the follow-up work.
- 2.3. Internal Audit work with Headteachers where appropriate to determine the best time in the academic year to carry out each audit. Most are booked to take place during the spring term so at the end of Q2 only one of the school audits had been completed. Whilst this falls short of the target for the end of Q2 which is for 25%

of audits to be at draft stage the plan remains on track for 100% completion by March 2023.

3. Outcomes of the Internal Audit work

- 3.1. Seven draft reports have been issued since the start of the year, six from the risk and compliance plan and one school. Six of these have progressed to the final report stage with all of these being awarded either reasonable or substantial assurance opinions.

4. Progress in implementation of Internal Audit recommendations as at 30 September 2022

- 4.1. Internal Audit tracks management progress in implementing all critical and high-risk findings by way of a chase up or follow up to the audit client accordingly.
- 4.2. There is 1 outstanding overdue high-risk finding as at 30 September 2022.
- 4.3. There are no critical findings outstanding.

5. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Solicitor

- 5.1. The Local Audit and Accountability Act 2014 (the '2014 Act') requires that the Council as a relevant body must have its accounts audited. The procedure is set out in the Accounts and Audit Regulations 2015 (the 'Regulations'). Regulation 9 sets out a timetable and requires certification by the Council's responsible finance officer of the statement and then consideration by a committee to consider the statement and approve by resolution.

6. Financial Implications

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

- 6.1. 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.

7. Other Implications

- 7.1. Risk Management – The internal audit activity is risk-based and therefore support effective risk management across the Council.
- 7.2. No other implications to report

8. Public Background Papers Used in the Preparation of the Report: None

9. Appendices

Appendix	Content
1	Internal Audit 2022/23 Q2 update
2	Revised Internal Audit Plan 2022/23

Appendix 1: Internal Audit 2022/23 Q2 update

1. Progress against Internal Audit plan 2022/23 as at 30 September 2022

Risk and compliance audits

1.1. The following tables detail the changes to the 2022/23 audit plan made in the first two quarters of the year, April to September 2022:

Added	Removed	# of 2022/23 audits as at end of Q2
5	1	45

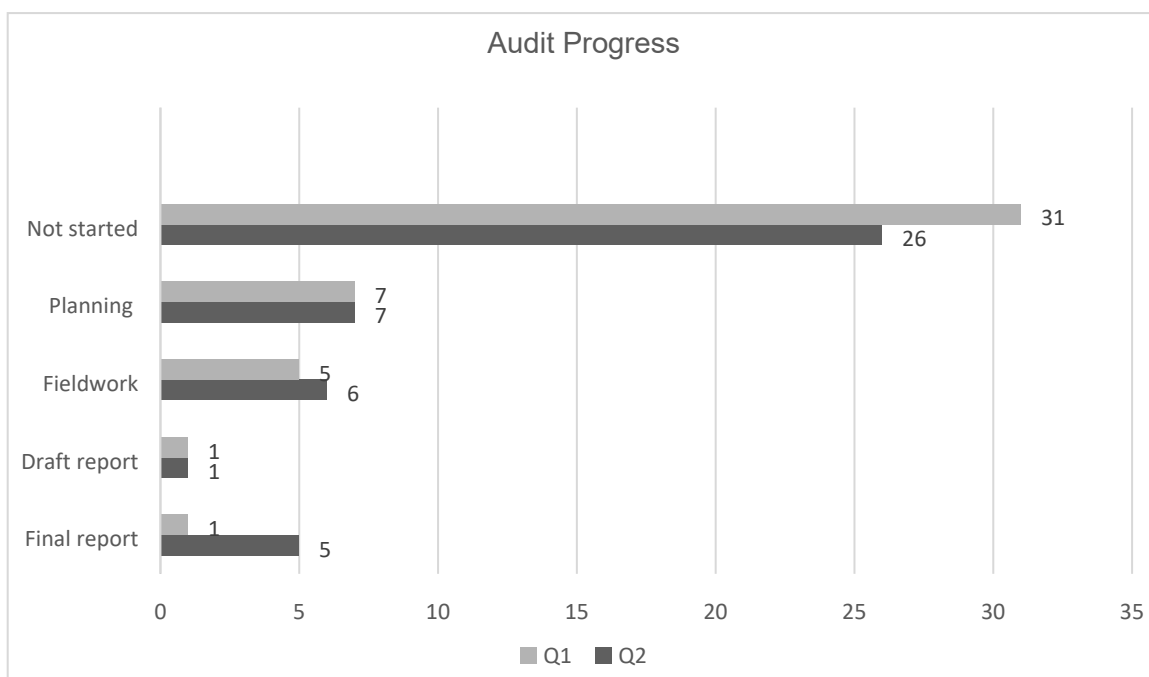
Audit title	Change	Rationale for change
Mayor's Charity Account	Added	Finance request
BDMS Charging Controls	Added	Request of Corporate Strategy Group
Subletting Leaseholders	Added	No Assurance 2021/22
Supporting Families Programme	Added	Assurance work given potential change in the claiming process
Cyber Essential Plus	Added	Revised government benchmark
Server Virtualisation & Management	Deleted	Reliance on virtual machines (and therefore risk) reduced

The revised internal audit plan is detailed at Appendix 2.

1.2. The table and graph below indicate the progress made against the 2022/23 audit plan as at 30 September 2022.

Not started	Planning	Fieldwork	Draft report	Final report
26	7	6	1	5

Audits identified as 'not started' in the table above will enter the planning and delivery stages during Quarters 3 & 4.



1.3. All the five audits that have reached the final report stage during Quarters 1 and 2 were awarded either substantial or reasonable assurance opinions.

School Audits

1.4. Historically, schools within the Borough were audited on a cyclical basis of once every three years using a standard scope and approach for all schools. These audits and the risk assessment had previously been fully outsourced to Mazars.

1.5. In recent years the Head of Assurance has undertaken a risk assessment to inform a risk-based approach to school audits. This has now been completed and the output of this work makes up the proposed school audit plan for 2022/23.

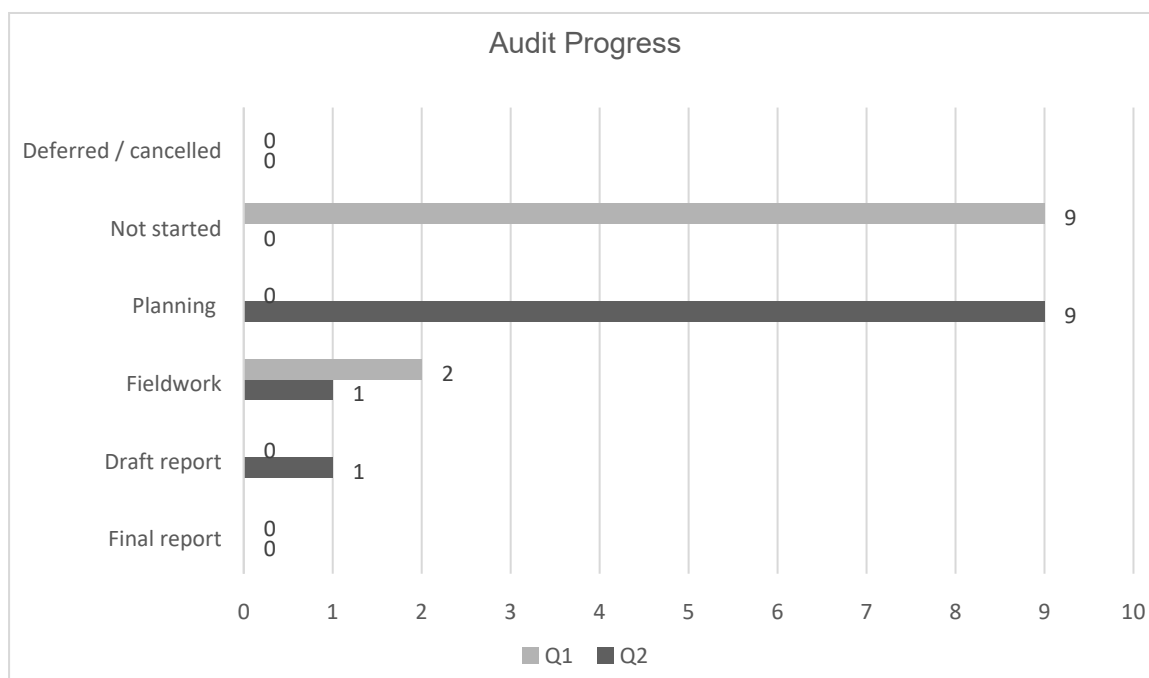
1.6. The following table details the allocation of the 55 school audit days for the year:

School	Days
William Ford School	5
All Saints Catholic School	5
Rush Green Primary School	5
St Vincent's Catholic Primary School	5
William Bellamy Primary School	5
Dorothy Barley Infant School	5
Eastbrook Comprehensive School	5
Henry Green Primary School	5
John Perry Primary School	5
Northbury Primary School	5
Follow-ups	5

The current Internal Audit plan is detailed at Appendix 2.

1.7. The table and graph below indicate the progress made against the 2022/23 schools audit plan as at 30 September 2022.

Not started	Planning	Fieldwork	Draft report	Final report
0	9	1	1	0



2. Progress in implementation of audit findings as at 30 September 2022

2.1. The table below summarises the high-risk findings, as at 30 September 2022, that have reported as final, been implemented, are outstanding and are beyond their due date:

	Reported	Implemented	Outstanding	Beyond due date
2019/20	34	34	0	0
2020/21	21	21	0	0
2021/22	29	17	12	1
2022/23	0	0	0	0
Total:	84	62	22	1

2.2. The current progress in implementing the overdue high-risk recommendations has been reported by management to be as detailed in the following table:

Finding	Agreed Action	Latest progress as reported by management
2021/22 – Council Tax – Limited Assurance		
<p>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:</p> <ul style="list-style-type: none"> • Valuations; • Billing; • Collections; • Debt recovery • Write off. <p>Audit also identified that the Refunds, Discounts & Disregards and Exemptions procedures have not been updated in the previous 12 months.</p> <p>A review of the content of the procedures identified that:</p> <ul style="list-style-type: none"> • 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. 	<p>There are approximately 80 procedures to review. To realistically manage these moving forward will require a rolling review whereby procedures are prioritised dependent on risk.</p> <p>A plan is in place where the service are reviewing approximately 6/7 every month, starting with those highlighted as urgently requiring review.</p> <p>Agreed date: 31 July 2022</p>	<p>The service are now required to administer a new Energy Rebate Scheme which was not anticipated at the time the audit was conducted and timescales agreed. As a result the original schedule has required amending although most major policies have now been reviewed.</p> <p>Revised Date: 31 January 2023</p>

3. Internal Audit performance as at 30 September 2022

Purpose	Target	Performance & RAG Status	What it measures
Output Indicators (Efficiency)			
% of 2022/23 Audit Plan completed (Audits at draft report stage)	>25% by 30/9/22	13% - RED	Delivery measure
	>50% by 31/12/22	N/A	
	>80% by 31/3/23	N/A	
	100% by 31/5/23	N/A	
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 Recs not addressed within timescale	<5%	12.5% - AMBER	Delivery measure
Overall Client Satisfaction	> 85% ratings excellent, good or adequate (i.e. not rated poor)	100% – GREEN	Customer satisfaction

*Internal Audit for 2022/23 is 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.

Appendix 2: Revised Internal Audit plan 2022/23 as at 30 September 2022

1.1. The Internal Audit plan 2022/23 was approved by the July 2022 Audit and Standards Committee.

1.2. The following audits have occurred or are in progress as at the end of Q2:

Audit title	Audit objective	Status at 30 September 2022
Risk and Compliance		
Mayor's Charity Account	To review the integrity of the 2021/22 accounts	Final Report issued Q1 – Substantial Assurance
Trading Standards	Discharge of statutory duties	Final Report issued Q2 – Substantial Assurance
Electoral Program	Accuracy of government returns	Final Report issued Q2 – Reasonable Assurance
Waste Collections - Trade Waste	Identification of customers and costs, collections of waste	Final Report issued Q2 – Substantial Assurance
Planning for School Places	Adequacy of planning process and link to Inclusive Growth strategy	Final Report issued Q2 – Substantial Assurance
Leasehold Management Service Charges	Controls around ensuring that the right leaseholders are charged the right amounts	Draft Report issued Q2
Homelessness	Prevention strategy and statutory obligations	Work in Progress
Licencing	Compliance with regulation, issuing of licences	Work in Progress
Housing Register & Allocation Review	Process to joining register and allocation to tenants	Work in Progress
BDMS Charging Controls	Review of cost governance at BDMS	Work in Progress
Right to Buy Valuations	Risk and control review to ensure fair asset valuations	Work in Progress
Pension Fund Investments	Controls around high value & high risk area	Work in Progress
Schools		
William Ford	School probity review of whole business area	Draft Report issued Q2
School Follow-ups	Review of prior year work	Work in Progress

1.3. The audits planned for the remainder of 2022/23 are set out below. The plan details the draft audit title and draft audit objective:

Audit Title	Days	Focus of Scope
Finance		
General Ledger & Budgetary Control	20	Key Financial System – control design & effectiveness
Capital Programme / Budgeting	15	Key Financial System – control design & effectiveness
Inclusive Growth		
Accounts Payable	20	Key Financial System – control design & effectiveness
Law, Governance & Organisational Change		
Payroll & Expenses	20	Key Financial System – control design & effectiveness
Enforcement service - bailiff system implementation	15	New system – control design and effectiveness
Regulatory Services - Health & Safety	15	Statutory duty under Section 18 of the Health and Safety at Work Act 1974 to 'make adequate provision' for health and safety enforcement
Sickness & Absence Management	10	Workplace culture and corporate approach to driving down sickness
Right to Work in UK - Post Brexit (EU Citizens)	10	Recent legislation requirements
Community Solutions		
Accounts Receivable	15	Key Financial System – control design & effectiveness
Direct Payments	15	Policies and procedures for administering scheme and monitoring of client activity
Domestic Violence Service	15	Review of resources and systems dealing with demand
My Place		
Fire Safety Compliance Management	60	Control design and implementation
Workshop	12	Procedural compliance
Passenger Transport	12	Authorisation of drivers and safety of service users
Waste Management - Health & Safety	12	Control effectiveness – safety of operatives and residents
Housing Void Management	15	Recording and turnaround of properties
Be First - Reside - My Place Relationship	15	Governance and scrutiny of relationships

Housing Rent Setting Review	10	Rents setting control effectiveness
People and Resilience		
Adult Care Deferred Payments	15	Verification of agreements and recovery of amounts
Special Education Needs & Disability	15	Focus on areas highlighted by Ombudsman
Early Help KPI Monitoring & Reporting	15	Control design of revised system
LAC Savings Accounts continued	10	Supporting service with changing practices
Strategy and Culture		
ERP Post Implementation Review	15	Review of green lighting and system amendments
Geographical Information System Review	15	New system – control design and implementation
Server Virtualisation & Management	15	New system – control design and implementation
Schools		
All Saints Catholic School	5	School probity review of whole business area
Rush Green Primary	5	School probity review of whole business area
St Vincent's Catholic Primary S	5	School probity review of whole business area
William Bellamy Primary	5	School probity review of whole business area
Dorothy Barley Infant	5	School probity review of whole business area
Eastbrook Comprehensive	5	School probity review of whole business area
Henry Green Primary	5	School probity review of whole business area
John Perry Primary	5	School probity review of whole business area
Northbury Primary	5	School probity review of whole business area
Council Owned Companies		
Be First	15	Special Purpose Vehicles