

## Notice of Meeting

### AUDIT AND STANDARDS COMMITTEE

**Wednesday, 3 April 2019 - 7:00 pm**  
**Council Chamber, Town Hall, Barking**

**Members:** Cllr Josie Channer (Chair); Cllr Adegboyega Oluwole (Deputy Chair); Cllr Dorothy Akwaboah, Cllr Simon Bremner, Cllr Princess Bright, Cllr John Dulwich, Cllr Kashif Haroon and Cllr Muhammad Saleem

**Independent Advisor:** Stephen Warren

Date of publication: 26 March 2019

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Chief Executive

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#### AGENDA

- 1. Apologies for Absence**
- 2. Declarations of Interest**
- 3. Minutes - To confirm as correct the minutes of the meeting held on 16 January 2019 (Pages 3 - 7)**
- 4. Certification of Grants and Returns 2017/18 (Pages 9 - 16)**
- 5. External Audit Plan interim report**

The Committee will receive an oral report.

6. **Internal Audit report 2018/19 Quarter 3 (October to December 2018) (Pages 17 - 34)**
7. **Draft Internal Audit Charter, Strategy and Plan for 2019/20 (Pages 35 - 61)**
8. **Counter Fraud Report Quarter 3 2018/19 (October-December 2018) (Pages 63 - 68)**
9. **Review of the Committee Terms of Reference (Pages 69 - 79)**
10. **Any other public items which the Chair decides are urgent**
11. **To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted**

#### **Private Business**

The public and press have a legal right to attend Council meetings such as the Audit and Standards Committee, except where business is confidential or certain other sensitive information is to be discussed. The list below shows why items are in the private part of the agenda, with reference to the relevant legislation (the relevant paragraph of Part 1 of Schedule 12A of the Local Government Act 1972 as amended). ***There are no such items at the time of preparing this agenda.***

12. **Any other confidential or exempt items which the Chair decides are urgent**



Our Vision for Barking and Dagenham

## **ONE BOROUGH; ONE COMMUNITY; NO-ONE LEFT BEHIND**

Our Priorities

### **A New Kind of Council**

- Build a well-run organisation
- Ensure relentlessly reliable services
- Develop place-based partnerships

### **Empowering People**

- Enable greater independence whilst protecting the most vulnerable
- Strengthen our services for all
- Intervene earlier

### **Inclusive Growth**

- Develop our aspirational and affordable housing offer
- Shape great places and strong communities through regeneration
- Encourage enterprise and enable employment

### **Citizenship and Participation**

- Harness culture and increase opportunity
- Encourage civic pride and social responsibility
- Strengthen partnerships, participation and a place-based approach

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## **MINUTES OF AUDIT AND STANDARDS COMMITTEE**

Wednesday, 16 January 2019  
(7:00 - 7:45 pm)

**Present:** Cllr Josie Channer (Chair), Cllr Adegboyega Oluwole (Deputy Chair), Cllr Dorothy Akwaboah, Cllr Princess Bright, Cllr John Dulwich, Cllr Kashif Haroon and Cllr Muhammad Saleem

**Apologies:** Cllr Simon Bremner

### **18. Declarations of Interest**

There were no declarations of interest.

### **19. Minutes - To confirm as correct the minutes of the meeting held on 26 September 2018**

The minutes of the meeting held on 26 September 2018 were confirmed as correct.

### **20. Annual Audit Letter 2017/18**

The report summarised the key findings from the 2017/18 External Audit, which covered the 2017/18 Financial Statements and Value for Money conclusion. An unqualified opinion was issued in respect of the accounts and KPMG were satisfied that the Council had satisfactory arrangements in place to secure value for money. All the issues in the letter have been previously reported. The key recommendations were listed in appendix 1 of the report.

The Committee **noted** the report.

### **21. External Audit Plan 2018/19**

The Incoming Independent External Auditors (BDO) audit plan 2018/19 set out for the Committee an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. The plan was to enable the Committee to understand the consequences of BDO's work, discuss issues or risk and the concept of materiality with the Independent Auditors. The contents of the Audit Plan had been discussed with management.

Liana Nicholson, BDO, outlined that the plan contained the audit scope, objectives and the key audit risks which included valuation of the council assets and pension liabilities. In addition, the timetable of the External Audit 2018/19 was included in the report.

The Audit Plan referred to the componentisation of Council dwellings which was identifying values to different parts of a dwelling (e.g a roof) and attributing different estimated useful economic life to each of them. For dwelling properties, BDO considered the split between land and buildings used in the External Audit 2017/18 to be unusual and that the dwelling properties were not componentised.

Members asked why this had not been adopted for dwellings. The Chief Accountant stated that this was mitigated in the majority of dwellings as each of the assets were valued annually and if not they were not revalued, could be split in this way.

David Eagles referred to the Audit Plan for the Pension Fund, also contained in the report to Committee. This again summarised the planned audit strategy for the year ended 31 March 2019 in respect of the audit of financial statements, comprising materiality, key audit risks and the planned approach to these. He referred to significant risks and the timetable for the external audit, which included infrastructure and private equity.

Members referred to a risk management controls and the reliance on performance related business i.e the outturn.

Members asked about the risk of related party transactions, which had been for the pension fund accounts. David Eagles responded that there was the potential for risk as some Councillors were members of the Local Government Pension Fund.

The Committee **noted** the report and contents of the Audit Plan.

## **22. Preparation of 2018/2019 Annual Accounts & External Audit**

The Council was required by the Accounts and Audit Regulations 2015 to publish its audited Annual Accounts by the 31 July each year. 2017/18 was the first year in which the Council had to meet a tighter deadline, which was two months less than in previous years. The Council met this new deadline and published its accounts by the 31 July 2018. However, meeting this deadline remained a significant challenge for Councils and Auditors going forward.

The report outlined the process, plan and timetable for preparing the Statement of Accounts for 2018/19 to enable the Council to discharge its statutory responsibilities and publish the audited accounts by the 31<sup>st</sup> July 2019.

The report also considered the lessons that were learned from the 2017/18 audit process in order to ensure continuing improvements in the closing processes for the future. In addition, the report included recommendations from the outgoing External Auditors for action in 2018/19. It was considered that there were several activities, procedures and processes that could be improved in future external audits, including balance sheet reconciliation and over/under receipting.

As stated in their report to the Committee, the outgoing External Auditors (KPMG) had issued an unqualified opinion on the Authority's financial statements on 31 July 2018, which meant that they believed the financial statements gave a true and fair view of the financial position of the Authority and of its expenditure and income for 2017/18. The financial statements included those of the pension fund.

Members enquired as to what steps the Council were taking to reduce the risk of error in its accounting in relation to the significant and other risks identified by the incoming External Auditors, BDO. The Chief Accountant advised that he will be

reviewing the audit process and would implement any new actions, in discussions with BDO. He was seeking to improve the structure of the accounts, which would assist members in their understanding and improve the narrative report. In answer to further questions, he stated that narrative changes would be reflected in the future statements of accounts and External Audit Plan.

The Committee **noted**:

The preparatory work which has been undertaken by officers to plan and prepare for the closure of the 2018/19 Statement of Accounts to enable the audited accounts to be published by the 31 July 2019 and the key deadlines and process.

### **23. Internal Audit report 2018/19 Quarter 2 (July to September 2018)**

This report brought together all aspects of internal audit work undertaken to date during 2018/19. The report detailed audit progress and results from 1 July-30 September 2018 (Quarter 2) and included details of the overdue high-risk recommendations outstanding and actions being taken by management to address these.

The Interim Head of Internal Audit highlighted the progress in implementing the audit recommendations. She advised Members on specific risk and compliance audits that had been removed from the 2018/19 including Adoptions (follow-up): This had been added to Quarter 3's internal audit plan (October-December 2018). A full review had been added following the "no assurance" report issued in Quarter 2 and management had reacted positively to the proposed recommendations from Internal Audit and they would action these changes.

The Interim Head of Audit referred to the outcomes from finalised 2018/19 internal audit work and this included the audit on Cyber Security, which had been at limited assurance level, management had taken responsibility for the issues of risk identified and were progressing actions to reduce that risk.

Members referred to the risk and compliance audit on Special Guardianship Orders (SGO's) that had been removed from the 2018/19 internal audit plan. They requested whether this could be considered in the 2019/20 internal audit plan, which would be submitted to the Committee for approval in due course. (*A special guardianship order is an order appointing one or more individuals to be a child's 'special guardian'. It is a private law order made under the Children Act 1989 and is intended for those children who cannot live with their birth parents and who would benefit from a legally secure placement.*)

The Committee **noted** the report.

### **24. Counter Fraud report Quarter 2 2018/19 (July-September 2018)**

The report brought together all aspects of counter fraud work undertaken to date during 2018/19. The report detailed progress from 1 July to 30 September 2018 (Quarter 2).

The Committee **noted** the report.

## 25. Information Governance Annual report

In the year that saw the biggest changes in data protection law in 20 years coming into effect, the report provided an update on information governance issues within the Council. This report also set out the work that has been completed in the past year. Information Governance primarily focussed on the Council's obligations under the Freedom of Information Act, Local Authority Transparency Code and the new General Data Protection Act and the Data Protection Act 2018 (GDPR).

Members asked about the way in which officers may have learnt from adverse events in the year and the actions taken to deal with data breaches. The Head of Client Unit stated that every organisation had a responsibility to deal with trying to reduce and mitigate data breaches and in this respect, training was provided annually for staff on a mandatory basis, which was in line with the requirements of the Information Commissioner. He added that the Council conducted spot checks to check if staff were complying with data protection in terms of its clear desk policy and not discussing confidential matters in open plan offices. Whilst it was not possible to stop data breaches occurring, the Council addressed such matters swiftly.

Members enquired about the depth staff training on data protection and the GDPR. The Head of Client Unit advised that the majority of Council staff were required to complete the I-Learn course annually, in line with the Information Commissioner's guidelines. Staff then receive a certificate as evidence that they had completed the course, however a number of specialist staff were given additional detailed training specific to their roles, such as child protection.

In answer to a question about the security of the Council's website access, the Head of Client Unit confirmed that members of the public used "My Account" for access to services which related to their own data and was highly secure. In terms of staff access to ICT systems, in line with the principles of GDPR, Council staff only had access on a "need to know" basis, which was fully audited and monitored to ensure confidentiality was maintained, with actions taken if any breach occurred by staff.

The Committee **noted**:

- (i) The work that has been on-going to improve Information Governance within the Council; and
- (ii) The planned actions for 2019/20.

## 26. Complaints against Members update

This report provided the Audit and Standards Committee with an update of complaints against Members of the Council, their current status, outcome and actions taken.

In accordance with the Code of Conduct and Complaints Procedure, the Monitoring Officer conducts an initial assessment of complaints about Members of



the Council against approved criteria and may consult with the Independent Person and try to resolve matters informally if possible or appropriate. If the complaint requires further investigation or referral to the Audit and Standards Committee there may still be a hearing of a complaint before its Sub-Committee.

Since reporting to the Committee on 25 July 2018, there had been two complaints received by the Monitoring Officer. Both were dismissed at the first stage by the Monitoring Officer by reason of no evidence of a breach.

The Committee **noted** the report.

## **27. Review of Gifts and Hospitality Registers**

This report provided the information on registrations of gifts and hospitality received by Councillors and Officers, to enable a periodic review of the same and to consider any comments or observations considered appropriate in this regard.

The report also provided a periodic review of the Gifts and Hospitality Registers, and highlighted that systems are in place to ensure Members and officers are aware of the need to inform the Monitoring Officer and complete the forms to register any gifts and hospitality or other benefits received where the value of the item or benefit exceeds an amount of £50. Appendices to the report highlighted declarations of gifts and hospitality by Councillors and officers.

The Committee **noted** the report.

## **28. Work Programme 2018/19**

Members noted the workplan and referred to the Committee's terms of reference that they discussed at the last meeting. They noted that the current version had been sent to them prior to the meeting showing in detail the areas that are currently covered in the Constitution and the areas that could be considered to be amended in future. They requested that this would be an agenda item at the next meeting pending any subsequent review of the terms of reference, which would need to be agreed by Assembly.

Members **noted** the workplan.

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**AUDIT AND STANDARDS COMMITTEE****3 April 2019**

<b>Title:</b> Certification of Grants and Returns 2017/18	
<b>Report of the Chief Operating Officer</b>	
<b>Open Report</b>	<b>For information</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> No
<b>Report Author:</b> Thomas Mulloy	<b>Contact Details:</b> E-mail: <a href="mailto:thomas.mulloy@lbbd.gov.uk">thomas.mulloy@lbbd.gov.uk</a>
<b>Accountable Strategic Leadership Director:</b> Claire Symonds, Chief Operating Officer	
<b>Summary:</b>  This report seeks to provide the outcome of assurance work on the Council's grants and returns during 2017-18.	

<b>Recommendation</b>  That the Committee notes the contents of this report.
<b>Reason(s)</b>  The Council's vision and priorities are underpinned by the theme 'a well-run organisation' as set out in the corporate plan. Completion of grant claims and returns contributes to the financial principle of income maximisation.

**1. Introduction and Background**

- 1.1 Section 151 of the Local Government Act 1972 – England and Wales requires that every local authority should “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.
- 1.2 This responsibility is extended by section 114 of the Local Government Finance Act 1988 – England and Wales which requires a report to all Members to be made by the Section 151 Officer, in consultation with the Council's Monitoring Officer, if there is or likely to be unlawful expenditure or an unbalanced budget.
- 1.3 For the purposes of the provision of assurance by the Section 151 Officer, this report will cover the external audit report on grants and returns during 2017-18.

## **2. KPMG Annual Report on grants and returns 2017-18**

Each year the Council's grants and returns are subject to an audit carried out by KPMG. They are:

- Housing Benefit Subsidy Claim (£131m)
- Pooling of Capital Receipts Return (£29m)
- Teacher's Pension Agency Return (£20m)

Unqualified certificates were issued for all returns. This is in line with last year's outcome.

No adjustments were necessary to the grants and returns as a result of certification work during the year. In addition, there were no recommendations raised from work done and no recommendations outstanding from previous years' work on grants and returns.

This is a testament to our staff who have ensured the working papers provided for audit are accurate and appropriately supported by evidence.

## **3. Conclusion**

- 3.1 The Committee is asked to note the unqualified conclusion of all returns for the year.

## **4. Financial implications**

- 4.1 There are none.

## **5. Legal Implications**

- 5.1 As observed in the body of this report 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. The arrangements include the use of an independent Auditor whose report is attached.

## **Appendix**

Appendix 1: KPMG Annual Report on grants and returns 2017-18



# Annual Report on grants and returns 2017/18

**London Borough of Barking and Dagenham**

—  
March 2019



# Contents

## The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Thomas, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

### Introduction and background

This report summarises the results of work we have carried out on the Council's 2017/18 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2017/18 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2017/18 Housing Benefit Subsidy claim. This had a value of £131,067,123
- Under separate engagements we issued reports on two claims/returns as listed below:
  - Teachers' Pensions Contributions for Financial Year 2017/18 with a value of £20,234,265.83; and
  - Pooling of Housing Capital Receipts return with a value of £28,971,262.06.

### Certification and assurance results (Page 4)

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was unqualified

Our work on the other grant assurance engagements resulted in the following reports:

- Reporting on agreed upon procedures in respect of Teachers' Pensions End of Year Certificate for the year ended 31 March 2018; and
- Report of factual findings in connection with London Borough of Barking and Dagenham Pooling of Housing Capital Receipts 2017-2018 pooling return for the year ended 31 March 2018.

No adjustments were necessary to any of the Council's grants and returns as a result of our certification work this year.

**Recommendations** We have made no recommendations to the Council from our work this year.

### Fees (Page 5)

Our fee for certifying the Council's 2017/18 Housing Benefit Subsidy grant was £34,358 insert fee, which is in line with the indicative fee set by PSAA.

Our fees for the other grant/return engagements were subject to agreement directly with the Council and were: £3,900 for the Teachers' Pensions Contributions for Financial Year 2017/18 and £5,750 for the Pooling of Housing Capital Receipts return.

# Summary of reporting outcomes

Overall, we carried out work on three grants and returns:

- All three were unqualified with no amendment;

Detailed below is a summary of the reporting outcomes from our work on the Council’s 2017/18 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Qualified	Significant adjustment	Minor adjustment	Unqualified
<b>Public Sector Audit Appointments regime</b>				
— Housing Benefit Subsidy				●
<b>Other grant/return engagements</b>				
— Teachers’ Pensions Contributions for Financial Year 2017/18				●
— Pooling of Housing Capital Receipts return				●
	-	-	-	<b>3</b>



**Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.**

**Our fees for other assurance engagements on grants/returns are agreed directly with the Council.**

**The overall fees we charged for carrying out all our work on grants/returns in 2017/18 was £44,008.**

### Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2017/18 of £34,358. Our actual fee was the same as the indicative fee, and this compares to the 2016/17 fee for this claim of £22,785.

The fees for our work on other grants are agreed directly with the Council. Our fees for 2017/18 were more than those in 2016/17. The reason for the increase was due to a change in the agreed upon procedures in place for the pooling of housing capital receipts return.

### Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2017/18 (£)	2016/17 (£)
Housing Benefit Subsidy claim	34,358	22,785
Teachers' Pensions Contributions for Financial Year 2017/18	3,900	3,900
Pooling of Housing Capital Receipts return	5,750	4,750
<b>Total fee</b>	<b>44,008</b>	<b>31,435</b>



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**AUDIT AND STANDARDS COMMITTEE****3 April 2019**

<b>Title:</b> Internal Audit report 2018/19 Quarter 3 (October to December 2018)	
<b>Open Report</b>	<b>For Information</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
<b>Report Author:</b> Christopher Martin, Head of Assurance	<b>Contact Details:</b> Tel: 020 8227 2170 E-mail: <a href="mailto:Christopher.Martin@lbbd.gov.uk">Christopher.Martin@lbbd.gov.uk</a>
<b>Accountable Strategic Leadership Director:</b> Claire Symonds, Chief Operating Officer	
<b>Summary:</b> This report brings together all aspects of internal audit work undertaken to date during 2018/19. The report details audit progress and results to 31 December 2019 and includes details of the overdue high-risk recommendations outstanding and actions being taken by management to address these.	
<b>Recommendation:</b> The Committee is asked to note the contents of the report.	

**1. Risk and compliance audits 2018/19**

- 1.1. The planned risk and compliance audit plan has one new review added and three removed / deferred for consideration for 2019/20 as detailed in Section 1.
- 1.2. At the end of Q3, 57% of the risk and compliance audits were at least at draft report stage, exceeding the target of 50%.

**2. Schools audits 2018/19**

- 2.1. Work is completed to risk assess the schools in the Borough to inform a risk-based schools' audit plan and this was finalised in December 2018.
- 2.2. The changes to the schools audit plan were the addition of seven schools as a result of the risk assessment.

**3. Outcomes of the internal audit work**

- 3.1. We have issued the following final reports in the quarter: four risk and compliance audit reports; the school's risk assessment and follow up results; and two schools' audit reports.
- 3.2. No reports were "no assurance" and one report, recruitment, was "limited assurance".

**4. Progress in implementation of internal audit recommendations as at 30 June 2018**

- 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. One critical risk finding, arising from the adoptions audit, was verified to be partially implemented, expected to be fully implemented by 31 March 2019.
- 4.3. There are three outstanding overdue high-risk findings, all in progress, as at 31 December 2018.

**5. List of appendices:**

- Appendix 1- Internal Audit 2018/19 Quarter 3 update
- Appendix 2- Internal Audit Plan 2018/19

## **Appendix 1: Internal Audit 2018/19 Quarter 3 update**

### **1. Progress against internal audit plan 2018/19 as at 31 December 2018**

#### **Risk and compliance audits**

1.1. The following table details the changes to the 2018/19 audit plan made in Q3, October 2018 to December 2018:

<b>B/f</b>	<b>Added</b>	<b>Removed</b>	<b># of 2018/19 audits as at end of Q3</b>
25	1	3	<b>23</b>

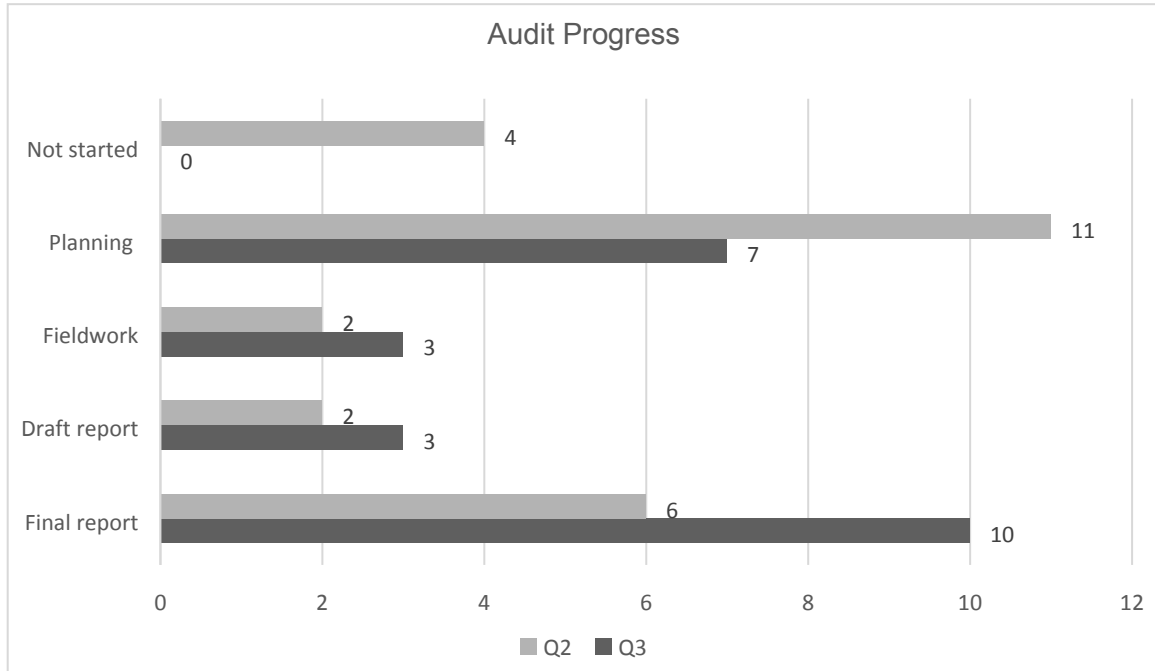
1.2. In addition to the one review added and three audits removed from this year's plan, the indicative timing changed within 2018/19 for two audits as follows:

<b>Audit title</b>	<b>Change</b>	<b>Rationale for change</b>
Brexit Response Workshop [review]	Added to Q3	During Q2, we reported that this area was not yet ready for audit. In Q3, we agreed to support management with their response to Brexit through a workshop.
Private Sector Housing	Removed	New scheme to be implemented from September 2019. Deferred to consider for inclusion in 2019/20 to audit new scheme.
Liquidlogic System Implementation	Removed	Deferred from Q4 so as not to detract management time from the expected OFSTED inspection. To consider for inclusion in Q1 2019/20.
Elevate Contract Exit	Removed	Resources and plans expected to be in place by June 2019. Deferred to consider in 2019/20 to audit once reasonable content to audit.
Parking Income Collection	Deferred from Q3 to Q4	Deferred to allow sufficient period post changes implemented.
Homelessness Reduction	Deferred from Q3 to Q4	Deferred due to initial issues with engagement with audit from the service.

The current internal audit plan is detailed at Annex A.

1.3. The table and graph below indicate the progress made against the 2018/19 audit plan as at 31 December 2018.

Not started	Planning	Fieldwork	Draft report	Final report
0	7	3	3	10



1.4. At the end of Q3, 13 of the remaining 23 audits (57%) were at least at draft report stage, exceeding the target of 50%. Work had commenced on all of the risk and compliance audits.

## 2. Schools' audits

2.1. Historically, schools within the Borough have been audited on a cyclical basis of once every three years using a standard scope and approach for all schools. These audits have been fully outsourced to Mazars.

2.2. For 2018/19, Mazars were asked to undertake a risk assessment of all schools in the Borough to inform a risk-based approach to schools' audits. The output of this work, including a proposed schools audit plan for 2018/19, was finalised in December 2018.

2.3. The following table details the changes to the 2018/19 schools audit plan made in Q3, October 2018 to December 2018:

B/f	Added	Removed	# of 2018/19 audits as at end of Q3
8	7	0	15

\* This consists of: risk assessment; follow up (of five schools); and 13 schools' audits.

2.4. The changes to the schools audit plan were the addition of seven schools as a result of the risk assessment as detailed in the following table. There were no indicative timing changes within 2018/19 in the quarter:

School	Change	Rationale for change
Gascoigne Primary School	Added to Q4	High risk as per risk assessment
Grafton Primary School	Added to Q4	High risk as per risk assessment
Henry Green Primary School	Added to Q4	High risk as per risk assessment
Hunters Hall Primary School	Added to Q4	High risk as per risk assessment
John Perry Primary School	Added to Q4	High risk as per risk assessment
Northbury Primary School	Added to Q4	High risk as per risk assessment
Roding Primary School	Added to Q4	High risk as per risk assessment

The current internal audit plan is detailed at Annex A.

2.5. The table and graph below indicate the progress made against the 2018/19 audit plan as at 31 December 2018.

Not started	Planning	Fieldwork	Draft report	Final report
0	7	0	2	6

The 2018/19 audit plan included an allocation of a total of 90 days for schools' audits in addition to the risk assessment. The current plan is expected to consume 68.5 days of effort, meaning the remainder of the schools' audit plan for 2018/19 can be delivered within budget.

### 3. Outcomes from finalised 2018/19 internal audit work

3.1. Internal audit reports include a summary level of assurance. The following assurance levels have been issued in final the year to date:

	Substantial	Reasonable	Limited	No	n/a
<b>Risk and compliance</b>					
Q1:	1	0	0	0	1
Q2:	0	1	1	1	1
Q3:	0	1	1	0	2
	<b>1</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>4</b>
<b>Schools</b>					
Q1:	0	0	0	0	0
Q2:	1	1	0	0	0
Q3:	2	0	0	0	2
	<b>3</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>2</b>

3.2. The following final reports were issued in the quarter:

<b>Audit title</b> and objective of the work	<b>Assurance level</b> and summary of findings
<p><b>Recruitment</b></p> <p>The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place relating to recruitment for the period April 2017 to March 2018.</p>	<p><b>Assurance level – limited</b></p> <p>The recruitment process had been designed and implemented by HR and operationally, was conducted by individual line managers. We found that while the HR process was designed effectively, there was evidence of non-adherence to this policy by some managers. It appeared that there are two primary reasons for this. Firstly, because of managers missing scheduled training courses, there was a subsequent lack of awareness of the policy. Secondly, some managers were not retaining full documentation to support recruitment decisions.</p> <p>We identified two high risk findings:</p> <ul style="list-style-type: none"> <li>• Recruiting managers not attending training and refresher courses – Our testing identified a number of managers who had recruited staff had not followed the required process to recruit via iGrasp and had either not done the initial recruitment training, provided a signed-off assessment of prior knowledge and experience or had not kept it up to date by completing the refresher course they are required to undertake every three years. This does not mean that they did not have the required level of skills, experience and knowledge to carry out recruitment but they had not adhered to the Council’s recruitment process.</li> <li>• Key documents supporting the recruitment process could not be located – Our testing of 25 recruitments identified that some key documents required to evidence the recruiting process and appointment decision, were not available for our review therefore we could not verify that the recruitment took place in accordance with the Council’s policy.</li> </ul>



	<p>We also identified one low risk finding in relation to the reflectiveness of the current process in policy.</p>
<p><b>Gifts and Hospitality</b></p> <p>The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place in respect of gifts and hospitality. The audit covered the period from April 2018 to August 2018.</p>	<p><b>Assurance level – Reasonable</b></p> <p>We identified a number of good processes and controls in place. We identified no critical or high risk findings, and the following medium risk findings:</p> <ul style="list-style-type: none"> <li>• Gifts &amp; Hospitality Policy – We noted a number of inconsistencies between the Gifts &amp; Hospitality Policy and practice as explained to us, as well as additional areas in which the Policy could be open to misinterpretation.</li> <li>• Staff Awareness – When interviewing staff regarding their understanding of Gifts &amp; Hospitality, as set out in the Employee Code of Conduct and the Gifts &amp; Hospitality Policy, we identified multiple areas where points were not known or were misunderstood.</li> <li>• Members’ Declarations of Gifts or Hospitality – Although Members submit disclosure forms of gifts and hospitality offered, only accepted offers are recorded on the public register. Rejected or donated offers are not recorded, and the original disclosure forms are not retained.</li> </ul> <p>We also identified two low risk findings.</p>
<p><b>Commercial Waste Services</b></p> <p>This audit evaluated the commercial waste collection controls planned to be implemented as of 5 November 2018.</p>	<p><b>Assurance level – n/a</b></p> <p>Our audit work identified that commercial waste collection processes and controls have been reviewed and improved processes are being implemented. As these processes are relatively new or still in development, a number of processes have yet to be fully documented. We also identified that there is no single process document detailing the full commercial waste process and the teams involved and interfaces between the teams, including information exchanged. We also identified a number of recommended improvements to the current and planned controls, primarily to monitor the operation of the key control activities and proactively</p>

	identify and resolve issues with their operation.
<p><b>Brexit Response Workshop [review]</b></p> <p>Facilitation of a workshop to identify key impact areas relevant to LBBB.</p>	<p><b>Assurance level – n/a</b></p> <p>Impact areas identified have been summarised. Work is now required by LBBB to develop the analysis further and to identify owners and timescales for each of the actions.</p>
<p><b>Schools risk assessment</b></p> <p>The objective of this risk assessment was to inform a risk-based approach to schools' audits.</p>	<p><b>Assurance level – n/a</b></p> <p>A revised risk-based approach to developing the schools' audit plan and undertaking schools' audits.</p>
<p><b>Schools follow up</b> <i>(included in the risk assessment report)</i></p> <p>Targeted follow up of previous schools' audit reported findings, with a risk-based focus on schools not audited for longer periods and with "limited assurance" ratings.</p>	<p><b>Assurance level – n/a</b></p> <p>Follow up work completed for four schools identified the following progress in implementing reported findings:</p> <ul style="list-style-type: none"> <li>• Jo Richardson: both recommendations found to be fully implemented.</li> <li>• Dagenham Park: one (green rated) recommendation found to be partially implemented; all other eight recommendations found to be fully implemented.</li> <li>• Robert Clark: all three recommendations found to be fully implemented.</li> <li>• Eastbury School: one (amber rated) recommendation found not to be implemented; all other six recommendations found to be fully implemented.</li> </ul> <p>Follow up work for two further schools (Manor Juniors and William Bellamy) to be completed Q4.</p>
<p><b>Mayesbrook PRU</b></p> <p>The objective of the audit was to ensure that the school had adequate and effective controls with regards to the financial management and governance of the school. The audit focused on the 12</p>	<p><b>Assurance level – Substantial</b></p> <p>This was the first time the school had been audited.</p> <p>In seven of the nine audit areas reviewed the control environment in place met the expected standards. Good practice was identified in the governance of the school with the Instrument of Government being revised on 14 March 2017 and being made</p>

<p>months prior to the audit visit in September 2018.</p>	<p>by order of Barking and Dagenham Local Authority on 1 September 2017. The Management Committee meets on a termly basis and there is also a Finance and Staffing Committee and a Curriculum and Achievement Committee in place, for which terms of reference have been put in place. The School has adopted the Local Authority Financial Procedures.</p> <p>We identified no critical, high or medium risk findings during this audit visit. We identified two low risk findings.</p>
<p><b>Thomas Arnold</b></p> <p>The objective of the audit was to ensure that the school had adequate and effective controls with regards to the financial management and governance of the school. The audit focused on the 12 months prior to the audit visit commencing on 29 October 2018.</p>	<p><b>Assurance level – Substantial</b></p> <p>This audit confirmed a significant improvement in the control environment since the last audit (2016/17), where we reported 12 findings and provided a ‘limited assurance’ level.</p> <p>In eight of the nine audit areas reviewed the control environment in place met the expected standards. The Governing Body meets on a termly basis and there is also a Resources Committee and a Standards Committee in place, for which terms of reference have been put in place. There was clear input from the Headteacher and the Governing Body in the budget setting and monitoring processes.</p> <p>We identified no critical or high-risk findings and the following medium risk finding:</p> <ul style="list-style-type: none"> <li>• Governor approval of school staffing structure and Headteacher’s pay – the Governing Body meeting minutes did not evidence approval of the School Staffing Structure and Headteacher’s pay in the last 12 months. (See Finding 1)</li> </ul> <p>We identified no further findings.</p>

#### 4. Progress in implementation of audit findings as at 30 June 2018

- 4.1. 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. 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.

4.2. 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.

4.3. One finding has been rated critical risk as detailed in the following table.

Critical Risk Rated Finding	Agreed Action	Latest progress
<b>Adoptions</b> (reported August 2018)		
<p>Liquidlogic went live in March 2018, replacing the previous Northgate system from which data was migrated. Statute requires adoption records to be retained for 100 years.</p> <p>We tested five adoptions, including both the adoptee and the adopter files. We identified issues with all six (one adoption involved two children) adoptee files.</p> <p>We identified issues with all seven adopter's files.</p> <p>Our interviews, verified by our testing, also identified that the Northgate system was not consistently available.</p> <p>The above are a result of issues with the migration of records to Liquidlogic.</p>	<p>Immediate action has been taken to understand and address the migration issue allowing the required staff access to full records consistently.</p> <p>We are providing support through resource to assist with the backloading of missing records into Liquidlogic. This will enable the social workers to access the review reports and continue the adoption recording process for ongoing cases.</p> <p>Contact will be made with the relevant social worker for the file where the adoptee's address was out of date to confirm the reason for the issue and rectify.</p> <p>Our Data Migration lead will investigate how the missing Adopters records can be migrated to Liquidlogic. In the interim, we will provide access to the records in the legacy system.</p> <p>Historical records (pre-2004) held as scanned</p>	<p><b>Partially implemented, expected to be fully implemented by 31 March 2019</b></p> <p>Our follow up audit of adoptions audit in November and December 2018 confirmed that a large amount of further data had been added to Liquidlogic. More significantly, we confirmed that relevant individuals had access to data not yet in Liquidlogic through either the shared folder or through the legacy system.</p> <p><i>Finding superseded by updated finding in follow up report, now rated as medium risk.</i></p>

	documents will be transferred to Liquidlogic.  <b>Target dates:</b> from implemented as at 28 August 2018, to 31 October 2018.	
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4.4. The table below summarises the high-risk findings, as at 30 June 2018, that have reported, implemented, were outstanding and were beyond their due date:

	Reported	Implemented	Outstanding	Beyond due date
Prior to 2017/18	11	10	1	1
2017/18	15	13	2	2
2018/19	4	2	2	0
<b>Total:</b>	<b>28</b>	<b>21</b>	<b>7</b>	<b>3</b>

4.5. 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
<b>Reported prior to 2017/18</b>		
<b>Records Compliance</b>		
There is no list of information asset owners (IAO), a list is in the process of being compiled. The roles and responsibilities of the IAO's has not been defined or communicated to officers. A part time consultant has been appointed and is in the process of identifying IAOs.	a. Roles and responsibilities for IAO's should be clearly defined and communicated and incorporated into job descriptions b. Basic training on the requirements of IAO's should be given to those holding the role.  Target: 31/12/15	<b>In progress, expected to be completed by December 2019:</b> An Information Asset Register has been launched and is mostly completed. A Records Management training module has been identified. Guidance around the IAO role is expected to be completed by mid Feb with incorporation of role into job descriptions agreed with HR and in progress.
<b>Reported 2017/18</b>		
<b>Planning enforcement</b>		

<p><b>Lack of policies and operational procedures</b></p> <p>Relevant policies should be supported by up to date operational procedures to support consistent application of policies.</p> <p>We found that there are no Council policies or operational procedures in place.</p> <p>This is due to reliance being placed upon the high level national level policy concordat and guidance and NPPF national planning policy framework. However, this has created lack of guidance for arising in the findings documented below.</p>	<p>Policies and procedures will be introduced. These will include the actions required within the life-cycle of an investigation including:</p> <ul style="list-style-type: none"> <li>• Correct logging</li> <li>• Timescales</li> <li>• Evidence needed</li> <li>• Actions required</li> <li>• Appeals</li> </ul> <p>Relevant staff will be made aware of the location and content of the policies and procedures.</p> <p>The procedures will be reviewed, and updated where necessary, at least every two years.</p> <p>Target: 30/6/18</p>	<p><b>In progress, expected to be completed by end of January 2019:</b> A Local Enforcement Plan and operational procedures are being developed with the revised target date of end of January 2019.</p> <p>In the interim, all work is being reviewed by the manager.</p>
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**Security of Corporate Buildings**

<p><b>Security risk assessments</b></p> <p>The identification of responsibility for the completion of a security risk assessment for each corporate building, and completion of such risk assessments by appropriately qualified and experienced officers, will help to identify the potential hazards which may pose a threat to Council assets and staff.</p> <p>While we requested details of security risk assessments completed for corporate buildings and responsibility</p>	<p>Responsibility for management and completion of Security Risk Assessments of corporate buildings should be identified and documented within a Security Policy with a standard procedure agreed.</p> <p>Security risk assessments should be undertaken in line with procedures.</p> <p>Where security issues are identified from such risk assessments, they should be escalated for discussion and where applicable included</p>	<p><b>In progress, expected to be completed by end of January 2019:</b> Risk assessments for Barking Town Hall, Roycraft, Barking Learning Centre, Dagenham Library and John Smith House have been commissioned. A project group to address the audit findings has been created, revised target date of January 2019.</p> <p><i>A full follow up audit of security of corporate buildings has been scheduled for Q4 (January to March 2019) to independently verify the actions taken in response to the audit findings.</i></p>
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for their completion, none were provided.	within a Risk Register subject to ongoing monitoring.  Target: 31/7/18	
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## 5. Internal audit performance as at 30 June 2018

Purpose	Target	Performance & RAG Status	What it measures
<b>Output Indicators (Efficiency)</b>			
% of 2018/19 Audit Plan completed (Audits at draft report stage)	>25% by 30/9/18	32% - GREEN	Delivery measure
	>50% by 31/12/18	57% - GREEN	
	>80% by 31/3/19		
	100% by 31/5/19		
Meet standards of Public Sector Internal Audit Standards	Substantial assurance or above from annual review	Confirmed * - GREEN	Compliant with professional standards
<b>Outcome Indicators (Effectiveness - Adding value)</b>			
High Risk Recommendations not addressed within timescales	<5%	11% - RED	Delivery measure
Overall Client Satisfaction	> 85% ratings excellent, good or adequate (i.e. not rated poor)	94% for 2017/18 – GREEN 100% for 2018/19 to date – GREEN	Customer satisfaction

\* Internal Audit was substantively provided by Mazars LLP in 2017/18. Mazars have provided confirmation from a review carried out during October and November 2016 of conforming to the requirements of the Public Sector Internal Audit Standards and the Local Government Application Note.

Internal Audit for 2018/19 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.





## Annex A: Current internal audit plan 2018/19 as at 31 December 2018

1.1. The internal audit plan 2018/19 was been approved by the March 2018 Assurance Group and June 2018 Audit and Standards Committee.

1.2. The following audits have occurred or are in progress as at the end of Q3:

Audit title	Audit objective	Status at 30 June 2018
<b>Risk and compliance</b>		
Subject Access Requests	The objective of this audit was to evaluate the control design and operating effectiveness of key controls in place over Subject Access Requests in 2017/18 (1 April 2017 to 31 March 2018) in the key risk areas of HR and Housing (My Place).	Final report issued in Q1 – substantial assurance.
Museum Accreditation [review]	The object of the review was to independently review compliance of Valence House Museum with the requirements of the National Accreditation Scheme for Museums and Galleries as at May 2018.	Final report issued in Q1 – assurance level not applicable, no concerns regarding accreditation identified.
Recruitment	The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place relating to recruitment for the period April 2017 to March 2018.	Final report issued in Q3 – limited assurance.
Cyber security	The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place over Cyber Security.	Final report issued in Q2 – limited assurance
IR35	The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place over processes to ensure IR35 compliance in the period April 2018 to June 2018.	Final report issued in Q2 – reasonable assurance
Review of Sickness Absence [review]	The objective of this review was to independently identify the reasons for the reported non-compliance with sickness absence policies and procedures as at the end of April 2018.	Final report issued in Q2 – assurance level not applicable, considerable improvements since the previous audit in 2016 were confirmed.
Adoptions	The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place over adoptions from during April 2017 to June 2018.	Final report issued Q2 – no assurance
Gifts and Hospitality	The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place in	Final report issued Q3 – reasonable assurance.

	respect of gifts and hospitality. The audit covered the period from April 2018 to August 2018.	
IT Risk Diagnostic	The review will present a view of the maturity of controls in the following seven areas within the IT Audit Universe: IT strategy; IT governance; system quality; system support and change; IT operations; and information security.	Draft report issued Q3; final report expected January 2019.
Everyone Active Contract Management	The objective of this audit is to evaluate the control design and test the operating effectiveness of key controls as at August 2018 in place relating to the contract management of Everyone Active.	Draft report issued Q3; final report expected January 2019.
Adoptions [follow up]	Audit of the control design and operating effectiveness of key controls in place over adoptions from April 2018 to October 2018.	Draft report issued Q3; final report expected January 2019.
Commercial Waste Services	Audit of control design and operating effectiveness of commercial waste collections.	Final report issued Q3; assurance level not applicable, no significant concerns identified.
Governance	Audit of the control design and operating effectiveness of the Council's governance, including governance of achievement of the stated outcomes for the Council's entities (all Reside companies, Be First, Trading Partnership and subsidiaries, School Improvement Partnership).	Fieldwork in progress; draft report expected January 2019.
My Place Trading Services Contract Management	Audit of the control design and operating effectiveness of My Place procurement contract management through review of the contract management of the Trading Services Contract.	Fieldwork in progress; draft report expected January 2019.
Direct Payments	Audit of the control design and operating effectiveness of direct payments.	Fieldwork in progress; draft report expected January 2019.
Brexit Response Workshop [review]	Facilitation of a workshop to identify key impact areas relevant to LBBB.	Final report issued Q4; assurance level not applicable.
<b>Schools</b>		
Risk assessment of schools	Risk assessments of all schools in the borough to inform a risk-based approach to schools' audits.	Final report issued Q3 – assurance level not applicable
Schools follow up	Targeted follow up of previous schools' audit reported findings to inform the risk assessment. This is to focus on schools	Final report issued Q3 – assurance level not applicable

	not audited for longer periods and with “limited assurance” ratings to be risk-based.	
Eastbrook	Audit of compliance with the Schools Financial Value Standards.	Final report issued Q2 – substantial assurance
Barking Abbey	Audit of compliance with the Schools Financial Value Standards.	Final report issued Q2 – reasonable assurance
Mayesbrook PRU	Audit of compliance with the Schools Financial Value Standards.	Final report issued Q3 – substantial assurance
Marks Gate Infants	Audit of compliance with the Schools Financial Value Standards.	Draft report issued Q3; final report expected January 2019.
Thomas Arnold	Audit of compliance with the Schools Financial Value Standards.	Final report issued Q3 – substantial assurance
Dorothy Barley	Audit of compliance with the Schools Financial Value Standards.	Draft report issued Q3; final report expected January 2019.

1.3. The audits planned for the remainder of 2018/19 are set out below. The plan details the following: draft audit title (and indicative timing) and draft audit objective:

<b>Audit title (timing)</b>	<b>Audit objective</b>
<b>Risk and compliance</b>	
Homelessness Reduction (Q4)	Audit of compliance with the Homelessness Reduction Act 2017.
Parking Income Collection (Q4)	Audit of the control design and operating effectiveness of the end-to-end parking income collection process from offence through to collection of income.
Parks and Grounds Maintenance (Q4)	Follow up of control design review undertaken in 2017/18; compliance testing of the operation of the controls implemented during April 2018 to July 2018.
Be First Procurement (Q4)	Audit of the control design and operating effectiveness of the Be First procurement process where Be First has undertaken procurement on behalf of the Council and compliance with the Council's procurement rules.
Fleet Management (Q4)	Audit of the control design and operating effectiveness of fleet management.

Asset Management (Q4)	Audit of the control design and operating effectiveness of asset management, including maintaining the assets in the asset management database and using this data to drive compliance checks and expenditure.
Security of Corporate Buildings (Q4)	Follow up of 2017/18 "limited assurance" internal audit report.
<b>Schools</b>	
Schools Audits (Q4)	<p>Audit of compliance with the Schools Financial Value Standards. Including:</p> <ul style="list-style-type: none"> <li>• Gascoigne Primary School</li> <li>• Grafton Primary School</li> <li>• Henry Green Primary School</li> <li>• Hunters Hall Primary School</li> <li>• John Perry Primary School</li> <li>• Northbury Primary School</li> <li>• Roding Primary School</li> </ul>

**AUDIT AND STANDARDS COMMITTEE****3 April 2019**

<b>Title:</b> Draft Internal Audit Charter, Strategy and Plan for 2019/20	
<b>Open Report</b>	<b>For Discussion &amp; Agreement</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
<b>Report Author:</b> Christopher Martin, Head of Assurance	<b>Contact Details:</b> Tel: 020 8227 2174 E-mail: <a href="mailto:Christopher.Martin@lbbd.gov.uk">Christopher.Martin@lbbd.gov.uk</a>
<b>Accountable Strategic Leadership Director:</b> Claire Symonds, Chief Operating Officer	
<p><b>Summary:</b></p> <p>The Internal Audit Charter defines the purpose, activity and responsibility of internal audit activity and is reviewed and presented annually for approval. It has been updated by the Head of Assurance and contains no significant changes from previously.</p> <p>The Internal Audit Strategy 2019/20 onwards details how the internal audit service will be delivered and is reviewed and presented annually for approval. It has been updated by the Head of Assurance to reflect current practice, which has been developed to improve the Internal Audit service.</p> <p>The Internal Audit Plan 2019/20 has been developed in line with the Charter and Strategy. It has been fully funded to enable production of an annual internal audit opinion.</p>	
<p><b>Recommendations:</b></p> <p>The Audit and Standards Committee is asked to:</p> <ul style="list-style-type: none"> <li>(i) Approve the draft Internal Audit Charter.</li> <li>(ii) Approve the draft Internal Audit Strategy 2019/20 onwards</li> <li>(iii) Approve the draft Internal Audit Plan 2019/20.</li> </ul>	

**1 Internal Audit Charter (“the Charter”)**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter. The PSIAS require periodic review of the Charter by the Chief Audit Executive and to be presented to senior management and the board for approval.
- 1.2 The Charter is reviewed at least annually by the Head of Assurance and presented for approval. The Charter was last presented to the Public Accounts and Audit Select Committee on 27<sup>th</sup> June 2018. This Charter will be presented to the new Audit and Standards Committee on 3rd April 2019.

- 1.3 The Charter has been updated by the Head of Assurance to ensure compliance with the Public Sector Internal Audit Standards and current practice.
- 1.4 The Internal Audit Charter is set out at Appendix 1 of this report and is presented for approval.

## **2 Internal Audit Strategy (“the Strategy”) 2019/20**

- 2.1 The Strategy details how the internal audit service will be delivered, in line with the Charter and includes:
- resources;
  - approach to preparing and delivering the internal audit plan;
  - quality assurance;
  - reporting;
  - follow-up;
  - annual opinion; and
  - performance monitoring.
- 2.2 It is presented at least annually for approval. The Strategy was last presented to the Public Accounts and Audit Select Committee on 27<sup>th</sup> June 2018.
- 2.3 The Strategy has been updated by the Head of Assurance to reflect changes in practice moving forward as well as further clarity on the role of Internal Audit within the organisation. This approach has been developed and implemented with a focus on providing a risk-based internal audit plan tailored to the Council’s key objectives, priorities and risks following feedback from senior stakeholders.
- 2.4 It has also been updated to clearly reflect the involvement of the relevant Strategic Director at key stages in delivering the internal audit plan to support effective delivery of the plan. This is to support the focus of internal audit on the appropriate areas and senior management engagement in audit findings and resulting action plans.
- 2.5 As noted at Section 3 of the Strategy, the internal audit service is provided by a small in-house team support by externally provided resources. In 2017/18, the in-house team was supported by a shared internal audit service with the London Borough of Redbridge (until October 2017) and Mazars (through a framework contract procured by the London Borough of Croydon). Further external support was provided by PwC in 2018/19 (through a framework contract procured by Islington Council) to allow for additional flexibility of specialisms and also enabling benchmarking of the quality of the service provided by Mazars.
- 2.6 The in-house team currently consists of a newly appointed Head of Assurance whose remit amongst other related services includes Internal Audit. There is also a full time Internal Auditor continuing to work towards the IIA qualification.
- 2.7 It is proposed that the existing arrangement to co-source external support from both Mazars and PwC via the appropriate framework contacts is continued into 2019/20.
- 2.8 As noted at section 4 of the Strategy, all London Borough of Barking and Dagenham’s activities (including those delivered by external providers) and legal

entities are within the scope of Internal Audit. As a result, the internal audit plan includes risk-based audit activity – focusing on Council’s risks and not those of the entities which may be aligned or may differ – in the Council’s related entities. The internal audit activity will not cover all activities of the related entities, although the entities may request this activity at a cost to the entity.

2.9 As noted at Sections 7 and 10 of the Strategy, findings and report ratings and definitions and KPIs will remain consistent with 2018/19.

2.10 The Strategy is set out at Appendix 2 and is presented for approval.

### **3 Internal Audit Plan (“the Plan”) 2019/20**

3.1 The Plan has been developed in line with the Charter and Strategy. It details the planned use of internal audit resources for 2019/20, including draft audit titles and proposed audit objectives. It is compiled at least annually prior to the commencement of each financial year and reviewed periodically to reflect any relevant changes.

3.2 The plan now includes the number of days allocated to each project for transparency, clarity and ease of planning. A significant number of days within the plan has been held back as contingency to reflect the fact that the Head of Assurance is new to the Council and is still gaining an understanding of the control and risk environment. The Head of Assurance is also undertaking a complete review of Risk Management that will undoubtedly identify further areas for Internal Audit review and create a demand for further days.

3.3 The Plan is set out at Appendix 3 and is presented for approval.

### **4 Financial Implications**

4.1 The budget for the full plan has been approved by the Chief Operating Officer.

### **5 Legal Implications**

This has no legal implications.

### **6 Other Implications**

6.1 **Risk Management** – The internal audit plan is risk-based and therefore supports effective risk management across the Council.

6.2 **Contractual issues** – As detailed above, delivery of the internal audit service will utilise two contracts, one with PwC and one with Mazars. Contracts for both organisations are in place following procurement processes undertaken by other London boroughs.

6.3 **Staffing issues** – There is no impact on current staff.

6.4 **Corporate policy and customer impact** – The internal audit service is aligned to corporate objectives. No impact on race, gender, disability, sexuality, faith, age or community cohesion.

6.5 **No other implications to report**

7 **Public Background Papers Used in the Preparation of the Report:** None

8 **List of appendices:**

- Appendix 1: Internal Audit Charter
- Appendix 2: Internal Audit Strategy 2019/20
- Appendix 3: Internal Audit Plan 2019/20



## Appendix 1: Internal Audit Charter

### Contents:

1. Introduction
2. Purpose
3. Scope
4. Authority
5. Responsibility
6. Independence
7. Professional competence and due care
8. Reporting and monitoring

### 1. Introduction

Regulation 5 (1) of the Accounts and Audit Regulations 2015 requires that; '*A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector Internal audit standards and guidance*'.

This Internal Audit Charter provides the framework for the conduct of the Internal Audit function in the London Borough of Barking and Dagenham and has been approved by the Audit and Standards Committee. It has been created with the objective of formally establishing the purpose, authority and responsibilities of the Internal Audit function.

It is reviewed, updated as required and reported to the Audit and Standards Committee for consideration at least annually.

### 2. Purpose

Internal Audit is an independent, objective assurance and consulting activity designed to add value to and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

In a local authority, internal audit provides independent and objective assurance to the organisation, its Members, the Senior Leadership Team and in particular the Chief Operating Officer to help them discharge their responsibilities under s151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

Within an organisation, there are three lines of defence in place to effect controls. The first line of defence is the day-to-day operational controls, the second is the management controls (budget & performance monitoring, trend analysis) and the third is independent inspection,

both internal & external. Internal audit forms part of the third line of defence and provides assurance on the effectiveness of governance arrangements, risk management and internal controls, and this includes an assessment of the effectiveness of the first two lines of defence. Internal audit can place reliance on assurances provided by third parties, although depending on the source, this may require some independent validation.

### **3. Scope**

All London Borough of Barking and Dagenham's activities (including activities delivered by external providers) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk-based approach. Internal Audit does not necessarily cover all potential scope areas every year. The audit programme includes obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls. Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Audit and Standards Committee and the Strategic Leadership Team through the Assurance Group.

Notwithstanding Internal Audit's responsibilities to be alert to indications of the existence of fraud and weaknesses in internal control which would permit fraud to occur, the Internal Audit activity will not undertake specific fraud-related work. Fraud-related work is carried out by the Counter-Fraud team.

Internal Audit will coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

### **4. Authority**

The Internal Audit function of the London Borough of Barking and Dagenham derives its authority from the Financial Regulations and Rules which form part of the Council's constitution. The Head of Assurance is authorised to have full and complete access to any of the organisation's records, properties and personnel. The Head of Assurance is also authorised to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities and may engage experts to perform certain engagements which will be communicated to management. Internal Audit will ensure confidentiality is maintained over all information and records obtained in the course of carrying out audit activities. All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for that purpose. All internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive in the course of their work.

### **5. Responsibility**

The Head of Assurance is responsible for preparing the annual audit plan in consultation with the Audit and Standards Committee and the Assurance Group, submitting the audit plan, internal audit budget, and resource plan for review and approval by the Audit and Standards Committee, implementing the approved audit plan, and issuing periodic audit reports on a timely basis to the Audit and Standards Committee and the Assurance Group.

The Head of Assurance is responsible for ensuring that the Internal Audit function has the skills and experience commensurate with the risks of the organisation. The Audit and Standards Committee should make appropriate inquiries of management and the Head of Assurance to determine whether there are any inappropriate scope or resource limitations.

Internal Audit provides individual assurance ratings and an annual overall opinion of the internal control environment based on the results of audit work conducted. This annual opinion is reported to the Audit and Standards Committee and the Assurance Group and forms an important part of the formation of the Annual Governance Statement.

It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an Internal Audit function, therefore, does not in any way relieve them of this responsibility.

Management is responsible for fraud prevention and detection. As Internal Audit performs its work programs, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

In some instances, internal audit may rely on assurances provided by other providers of assurance but this will be dependent on the level of associated risk and some degree of independent verification may be required.

## **6. Independence**

Internal Audit staff will remain independent of the business and they shall report to the Head of Assurance who, in turn, shall report functionally to the Audit and Standards Committee and administratively to the Section 151 Officer.

The Head of Assurance has full and unrestricted access to the following:

- The Chief Operating Officer (S151 officer);
- The Chief Executive;
- The Chair of the Audit & Standards Committee
- The Monitoring Officer
- All members of the Senior Leadership Team

All staff (including agency and contract staff) are required to make annual declarations of any potential conflicts of interest and adhere to confidentiality requirements. As far as resources permit, auditor rotation will be implemented to ensure auditors' objectivity is not impaired.

Internal audit must ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice. Where Internal Audit do provide consultancy services, any audit staff involved in this consulting activity will not be involved in the audit of that area for at least 12 months.

Internal Audit must remain independent of the activities that it audits to enable auditors to

make impartial and effective professional judgements and recommendations. The Head of Assurance does have strategic responsibility for Risk Management and Insurance. Since this role may involve establishing and maintaining the control environment, these functions will be audited independently by one of the co-sourced providers. Internal auditors have no other operational responsibilities towards the systems and functions audited.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Head of Assurance has the freedom to report without fear or favour to all Members and officers, and particularly to those charged with governance.

Accountability for the response to the advice and recommendations of Internal Audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so.

## **7. Professional competence and due care**

The internal audit function will adhere to / comply with the following:

- Institute of Internal Auditor's International Code of Ethics
- Seven Principles of Public Life (Nolan Principles)
- UK Public Sector Internal Audit Standards
- All Council policies and procedures
- All legislation

All audit work is subject to in house quality control procedures whereby each audit review is subject to senior peer review. The audit service will be subject to an annual self-assessment to assess its compliance with the UK Public Sector Internal Audit Standards and an external review and assessment at least once every 5 years by a suitably qualified, independent assessor.

The Head of Assurance is required to hold a relevant professional qualification (CCAB or CMIIA) and be suitably experienced. All staff are required to maintain a programme of Continuous Professional development (CPD) to ensure auditors maintain and enhance their knowledge, skills and audit competencies.

## **8. Reporting and monitoring**

At the end of each audit, the Head of Assurance or designee will prepare a written report and distribute it as appropriate. Internal Audit will be responsible for appropriate follow-up of significant audit findings and validation of agreed action plans. All significant findings will remain open file until cleared by Internal Audit or the Audit and Standards Committee.

The Audit and Standards Committee will be updated regularly on the work of Internal Audit through periodic and annual reports. The Head of Assurance shall prepare reports of audit

activities with significant findings along with any relevant agreed action plans and provide periodic information on the status of the annual audit plan.

Periodically, the Head of Assurance may meet with the Chair of the Audit and Standards Committee in private to discuss internal audit matters.

The performance of Internal Audit will be monitored through the implementation of a Quality Assurance and Improvement Programme. The results of external and internal assessments will be reported upon completion to the Assurance Group and the Audit and Standards Committee.

## **Appendix 2: Internal Audit Strategy 2019/20 onwards**

### **Contents:**

1. Introduction
2. Objectives
3. Resources
4. Approach to preparing the internal audit plan
5. Approach to delivering the internal audit plan
6. Quality assurance
7. Reporting, including rating definitions
8. Annual opinion
9. Follow up of findings and agreed action plans
10. Internal audit performance monitoring

### **1. Introduction**

The internal audit service will be delivered in accordance with the Internal Audit Charter.

The work of internal audit is structured through an approved Internal Audit Plan. This is compiled at least annually prior to the commencement of each financial year and reviewed periodically to reflect any relevant changes.

The internal audit plan is driven by the Council's organisational objectives and priorities, and the risks that may prevent the Council from meeting those priorities.

### **2. Objectives**

Internal Audit will provide independent and objective assurance to the organisation, its Members, senior management and in particular to the Chief Operating Officer to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

It is the Council's intention to provide a best practice, cost efficient internal audit service which adds value to the organisations it serves.

The Internal Audit service is an assurance function that primarily provides an independent and objective opinion on the degree to which the internal control environment supports and promotes the achievement of the Council's objectives.

Under the direction of a suitably qualified and experienced Head of Assurance, Internal Audit will:

- Provide management and Members with an independent, objective assurance and consulting activity designed to add value and improve the Council's operations.
- Assist the Audit Committees to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;

- Work closely with other assurance providers to share information and provide a value for money assurance service and;
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit will ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. However, Internal Audit will offer advice on the design of new internal controls in accordance with best practice.

### **3. Resources**

The internal audit service is provided by a small in-house team, focusing on stakeholder management, solid ongoing working relationships and providing detailed local knowledge. The in-house team is supported by externally provided resources to enable the Council to commission the volumes and specialist skills as required.

In-house skills are refreshed, in line with best practice through such bodies as CIPFA's Better Governance Forum and the London Audit Group. Appropriate training is identified through the Council's appraisal process and Continued Professional Development of qualified staff.

### **4. Approach to preparing the internal audit plan**

The work of internal audit is structured through an approved Internal Audit Plan. This is compiled at least annually prior to the commencement of each financial year and reviewed periodically to reflect any relevant changes.

All London Borough of Barking and Dagenham's activities (including activities delivered by external providers) and legal entities are within the scope of Internal Audit. As a result, the internal audit plan includes risk-based audit activity – focusing on Council's risks and not those of the entities which may be aligned or may differ – in the Council's related entities. The internal audit activity will not cover all activities of the related entities, although the entities may request this activity at a cost to the entity.

Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk-based approach. Internal Audit does not necessarily cover all potential scope areas every year.

The internal audit plan is driven by the Council's organisational objectives and priorities, and the risks that may prevent the Council from meeting those priorities. This has been achieved through:

- Understanding the Council's vision for the borough and priorities.
- Identifying the auditable areas within the Council aligned to the 'Service Delivery Blocks'.
- Engaging with management throughout the Council to understand key risks, areas of significant change, assurance work to date and other assurance providers.

- Engaging with external audit to consult on audit plans and to seek opportunities for co-operation in the conduct of audit work.
- Understanding emerging issues and potential audit areas from sector and assurance knowledge and understanding.

## **5. Approach to delivering the Internal Audit plan**

The internal audit plan will be delivered in line with the Internal Audit Manual. This includes the following key steps:

- 1) Preparation for an audit, including research, a planning / scoping meeting and production of a written Terms of Reference.
- 2) Fieldwork, in line with the stated audit approach in the Terms of Reference. During fieldwork, the auditors will keep the key audit contact updated with progress and potential issues arising. Fieldwork will conclude with an exit meeting confirming all issues arising and discussion of action plans to address.
- 3) Formal reporting of the audit objective and scope, issues identified and agreed action plans. The reporting process will include issue of a draft to confirm factual accuracy and agreement of actions plans prior to finalising.

Terms of Reference and Internal Audit reports will include the relevant Strategic Director.

## **6. Quality assurance**

Quality will be assured by adherence to professional auditing standards and through supervision by senior audit staff. The internal audit service is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- The relevant Code of Ethics for the professional bodies that members of the service are members of, such as the Chartered Institute of Internal Auditors and the six accountancy professions that constitute the CCAB;
- UK Public Sector Internal Audit Standards (PSIAS);
- All Council Policies and Procedures; and
- All relevant legislation.

In accordance with the Accounts & Audit Regulations 2015, an annual review of internal audit against the PSIAS will be undertaken. This will be conducted externally at least once every five years in line with PSIAS requirements. Results of reviews will be reported to the Audit and Standards Committee.

## **7. Reporting, including rating definitions**

At the end of each audit, the Head of Assurance or designee will prepare a written report detailing the audit objective and scope, findings and agreed action plans.

Each audit finding will be rated critical, high, medium or low risk in line with the following risk rating definitions:



<p><b>Critical</b></p> <p>●●</p>	<p>Immediate and significant action required. A finding that could cause:</p> <ul style="list-style-type: none"> <li>• Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale &amp; service performance (e.g. mass strike actions); or</li> <li>• 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</li> <li>• Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members &amp; Senior Directors are required to intervene; or</li> <li>• 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.</li> </ul>
<p><b>High</b></p> <p>●</p>	<p>Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause:</p> <ul style="list-style-type: none"> <li>• Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale &amp; performance of staff; or</li> <li>• 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</li> <li>• Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or</li> <li>• High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.</li> </ul>
<p><b>Medium</b></p> <p>●</p>	<p>A finding that could cause:</p> <ul style="list-style-type: none"> <li>• Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale &amp; performance of staff; or</li> <li>• 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</li> <li>• 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</li> <li>• Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.</li> </ul>
<p><b>Low</b></p> <p>●</p>	<p>A finding that could cause:</p> <ul style="list-style-type: none"> <li>• Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or</li> <li>• Minor impact on the reputation of the organisation; or</li> <li>• Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or</li> <li>• Handled within normal day to day routines; or</li> <li>• Minimal financial loss, minimal effect on project budget/cost.</li> </ul>

Each audit report will give an overall assurance level of substantial, reasonable, limited or no assurance, in line with the following assurance level definitions:

<b>Substantial</b> ●	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Findings will normally only be Advice and Best Practice.
<b>Reasonable</b> ●	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority findings indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical findings will prevent this assessment, and any High findings would need to be mitigated by significant strengths elsewhere.
<b>Limited</b> ●	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 findings indicating significant failings. Any Critical findings would need to be mitigated by significant strengths elsewhere.
<b>No</b> ●	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.

Reports will be distributed to the key contacts detailed in the audit Terms of Reference, including the appropriate senior manager and relevant strategic director. Reports rated "No" or "Limited" assurance will be provided in full to the Assurance Group.

Summary reports will be provided to the Assurance Group and the Audit and Standards Committee quarterly. These will detail changes to the internal audit plan, progress against the plan, summaries of limited or no assurance reports, performance of internal audit in delivery of its service and management's performance in implementing critical and high rated findings.

## 8. Annual Opinion

Internal Audit provides an annual overall opinion of the internal control environment based on the results of audit work conducted. In arriving at the opinion, the Head of Assurance also places reliance on other assurance activities and the governance framework and risk management processes in place.

This annual opinion is reported to the Audit and Standards Committee and the Assurance Group and forms an important part of the formation of the Annual Governance Statement.

## 9. Follow up of findings and agreed action plans

Internal Audit will be responsible for appropriate follow-up of critical and high rated audit findings and validation of agreed action plans. Management provide corroborating evidence to the auditor demonstrating that the recommendations made have been implemented and a risk-based approach, focusing on critical and high rated findings, is taken to review and validate the information provided.

Internal audit will perform a full follow up of an area where the audit rating was "no assurance" in the following year.

Findings will remain open file until cleared by Internal Audit or the Audit and Standards Committee.

Where reasonable progress is not achieved in the addressing findings, the Audit and Standards Committee may request that the responsible manager / Strategic Director prepare and/or present a report to the Audit and Standards Committee setting out the action plan to address the findings and how residual risks are to be addressed until the action plan is fully delivered.

### 10. Internal Audit performance monitoring

The following performance indicators will be reported against quarterly to the Assurance Group and the Audit and Standards Committee:

<b>Purpose</b>	<b>Target</b>	<b>What it measures</b>
% of Audit Plan completed (Audits at draft report stage)	>25% by end of Q2	Delivery measure
	>50% by end of Q3	
	>80% by end of Q4	
	100% by end of May of the following year	
Meet standards of Public Sector Internal Audit Standards	Substantial assurance or above from annual review	Compliant with professional standards
High Risk Recommendations not addressed within timescales	<5%	Delivery measure
Overall Client Satisfaction	> 85% satisfied or very satisfied over rolling 12-month period	Customer satisfaction

## Appendix 3: Internal Audit Plan 2019/20

### Contents:

1. Introduction
2. Approach to preparing the internal audit plan
3. Basis of the internal audit plan 2019/20
4. Internal audit plan 2019/20
5. Resource requirement and financial implications
6. Internal audit opinion
7. Changes to the plan

### 1. Introduction

This internal audit plan has been developed in accordance with the Internal Audit Charter and Internal Audit Strategy.

All London Borough of Barking and Dagenham's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk-based approach. Internal Audit does not necessarily cover all potential scope areas every year.

### 2. Approach to preparing the internal audit plan

The internal audit plan has been developed in accordance with the Internal Audit Strategy through:

- Understanding the Council's vision for the borough and its themes and priorities:

**Vision:** One borough; one community; no-one left behind.

#### **Themes and Priorities:**

Theme 1: A New Kind of Council

Priorities:

1. Build a well-run organisation
2. Ensure relentlessly reliable services
3. Develop place-based partnerships

Theme 2: Empowering People

Priorities:

1. Enable greater independence whilst protecting the most vulnerable
2. Strengthen our services for all
3. Intervene earlier

Theme 3: Inclusive Growth

Priorities:

1. Develop our aspirational and affordable housing offer
2. Shape great places and strong communities through regeneration
3. Encourage enterprise and enable employment

Theme 4: Citizenship and Participation

Priorities:

1. Harness culture and increase opportunity
2. Encourage civic pride and social responsibility
3. Strengthen partnerships, participation and a place-based approach

- Identifying the auditable areas within the Council aligned to the ‘Service Delivery Blocks’:



\* “Public Realm” is the terminology being used in practice for “Clean and Green”.

- Engaging with management throughout the Council to understand key risks, areas of significant change, assurance work to date and other assurance providers. The Head of Assurance has held meetings with the Senior Leadership Team and other senior Council officers during the formation of this plan.
- Engaging with external audit to consult on audit plans and to seek opportunities for co-operation in the conduct of audit work. Noted that the current external auditors, BDO, are in the first year of their contract.
- Understanding emerging issues and potential audit areas from sector and assurance knowledge and understanding.

### 3. Basis of the internal audit plan 2019/20

The table below sets out the strategic audit plan by service delivery block, including relevant internal audit work from 2016/17, 2017/18 and 2018/19, relevant external sources of assurance and the suggested plan for 2019/20.

Audit planning comments	Internal audit plan 2019/20
<b>The Core – Finance</b>	
Previous relevant internal audit work: <ul style="list-style-type: none"> <li>2017/18 Transformation Governance review including review of the Investment and Acquisitions Strategy programme (N/A)</li> <li>2017/18 audit of Insurance (reasonable assurance)</li> </ul>	<ul style="list-style-type: none"> <li>Budgetary Control and Savings Management</li> <li>Budgetary Control &amp; Savings Management</li> <li>Oracle system</li> </ul>

<ul style="list-style-type: none"> <li>• 2016/17 audit of Treasury Management (substantial assurance)</li> <li>• 2016/17 audit of Pensions (substantial assurance)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• External audit</li> </ul>	
<b>The Core – HR and payroll</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of Payroll (substantial assurance)</li> <li>• 2016/17 audit of Payroll (substantial assurance)</li> <li>• 2016/17 audit of Agency Staff (substantial assurance)</li> <li>• 2018/19 audit of Recruitment (Limited Assurance)</li> <li>• 2018/19 Sickness Absence compliance review (N/A)</li> <li>• 2018/19 audit of IR35 compliance (reasonable assurance)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• External audit</li> <li>• Disability Confident Employer accreditation</li> </ul>	<ul style="list-style-type: none"> <li>• HR on and off boarding</li> <li>• Payroll</li> </ul>
<b>The Core – other corporate processes</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 Transformation Governance review (N/A)</li> <li>• 2017/18 audit of Fire Safety (reasonable assurance)</li> <li>• 2017/18 audit of Security of Corporate Buildings (Limited Assurance)</li> <li>• 2017/18 audit of Electoral Registration (substantial assurance)</li> <li>• 2018/19 audit of Information Governance – Subject Access Requests (substantial assurance)</li> <li>• 2018/19 audit of Cyber Security (Limited Assurance)</li> <li>• 2018/19 audit of Gifts and Hospitality (reasonable assurance)</li> <li>• 2018/19 audit of Governance (reasonable assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Key Performance Indicator Monitoring and Reporting</li> <li>• Emergency Planning and Business Continuity</li> <li>• Public Health Grant</li> <li>• Information Security</li> <li>• Freedom of Information Requests</li> <li>• Brexit Impact</li> </ul>

<ul style="list-style-type: none"> <li>• 2018/19 review of Brexit Impact (N/A)</li> <li>• 2018/19 follow-up of Security of Corporate Buildings (rating TBC)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• HSE inspections</li> <li>• SEQOHS accreditation.</li> </ul>	
<b>Reside</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2013/14 audit of B&amp;D Reside Model (substantial assurance)</li> <li>• Audit work performed over Council services used by Reside, for example 2017/18 Revenues &amp; Benefits – Housing Rents (Limited Assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Mainstay Contract Management</li> </ul>
<b>Be First</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 review of draft Scheme of Delegation (comments provided; no formal report / conclusion)</li> <li>• 2017/18 audit of Community Infrastructure Levy / Section 2016 (Limited Assurance)</li> <li>• 2017/18 Planning Applications (reasonable assurance)</li> <li>• 2018/19 audit of Be First procurement on behalf of the Council (rating TBC)</li> </ul>	<p>No specific audit requirements for 2019/20.</p>
<b>Home services (We Fix, subsidiary of B&amp;D Trading Partnership)</b>	
<ul style="list-style-type: none"> <li>• 2017/18 audit of Housing Service Contracts – Responsive Repairs (Limited Assurance)</li> <li>• 2016/17 audit of Decent Homes (Limited Assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Voids</li> </ul>
<b>Traded services (BD Together, subsidiary of B&amp;D Trading Partnership)</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2016/17 audit of Schools Catering Services – ParentPay (full assurance)</li> </ul>	<p>No specific audit requirements for 2019/20.</p>
<b>Leisure service</b>	



<ul style="list-style-type: none"> <li>• 2018/19 audit of Everyone Active Contract Management (reasonable assurance)</li> </ul>	No specific audit requirements for 2019/20.
<b>Elevate – ICT</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of IT Asset Management (reasonable assurance)</li> <li>• 2017/18 audit of IT Security Framework (Limited Assurance)</li> <li>• 2016/17 audit of Mobile Phones (substantial assurance)</li> <li>• 2018/19 IT Risk Diagnostic (N/A)</li> </ul>	<ul style="list-style-type: none"> <li>• Housing System Implementation</li> </ul>
<b>Elevate – Revenues and benefits</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of Council Tax (reasonable assurance)</li> <li>• 2017/18 audit of Housing Rents (Limited Assurance)</li> <li>• 2018/19 audit of Parking Income Collection (reasonable assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Accounts Reveivable</li> <li>• Debt Recovery / Write-off</li> <li>• Preparations for the end of the Elevate contract</li> </ul>
<b>Elevate – Procurement and accounts payable</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of Accounts Payable (reasonable assurance)</li> <li>• 2016/17 audit of Procurement Gainshare (substantial assurance)</li> <li>• 2016/17 audit of Purchasing Cards (Limited Assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Accounts Payable</li> <li>• Preparations for the end of the Elevate contract</li> <li>• Procurement</li> <li>• Procurement Cards</li> </ul>
<b>Heritage</b>	
<ul style="list-style-type: none"> <li>• 2018/19 Museum Accreditation compliance audit (N/A)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• Annual inspections under the Visitor Attraction Quality Service accreditation</li> <li>• Heritage Lottery Fund grant funding monitoring</li> <li>• National Accreditation Scheme for Museums and Galleries (accredited every four years; last accredited 2015)</li> <li>• Local Studies Centre’s Archive Service Accreditation</li> </ul>	<ul style="list-style-type: none"> <li>• Management of Heritage Assets</li> </ul>

<b>Enforcement</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of Licensing (Limited Assurance)</li> <li>• 2017/18 audit of Planning Enforcement (Limited Assurance)</li> <li>• 2017/18 Transformation Governance review, including review of the Enforcement programme (N/A)</li> <li>• 2016/17 audit of Barking Market (Limited Assurance)</li> <li>• 2016/17 audit of Enforcement – Parking and Street Crime (Limited Assurance)</li> <li>• 2018/19 audit of Parking Income Collection (reasonable assurance)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• Food Standards Agency.</li> <li>• Health and Safety Executive.</li> </ul>	<p>No specific audit requirements for 2019/20.</p>
<b>BDT Legal</b>	
<p>No relevant assurance work identified in 2016/17 or 2017/18.</p>	<p>No specific audit requirements for 2019/20.</p>
<b>Public Realm</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 Transformation Governance review, including review of the Public Realm programme (green/amber TBC)</li> <li>• 2017/18 review of Parks and Grounds Maintenance planned key controls to be implemented April 2018</li> <li>• 2016/17 Vehicle workshop (limited assurance)</li> <li>• 2018/19 review of Commercial Waste (N/A)</li> <li>• 2018/19 Parks and Grounds Maintenance follow up and compliance audit (reasonable assurance)</li> <li>• 2018/19 audit of Fleet Management (substantial assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial Waste</li> <li>• Passenger Transport</li> </ul>
<b>My Place</b>	

<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of Housing Service Contracts – Responsive Repairs (limited assurance)</li> <li>• 2017/18 audit of Street Lighting Contract (substantial assurance)</li> <li>• 2017/18 audit of Highways maintenance (reasonable assurance)</li> <li>• 2017/18 audit of Highways asset management – HIP (reasonable assurance)</li> <li>• 2016/17 audit of Leaseholders (substantial assurance)</li> <li>• 2016/17 audit of Decent Homes (Limited Assurance)</li> <li>• 2016/17 audit of Barking Market (Limited Assurance)</li> <li>• 2018/19 audit of My Place Procurement and Contract Management (Limited Assurance)</li> <li>• 2018/19 audit of Asset Management (rating TBC)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• ROSPA Independent Yearly Playground Inspections</li> </ul>	<p>No specific audit requirements for 2019/20.</p>
<b>Community solutions</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 Transformation Governance review, including review of the Community Solutions programme (green)</li> <li>• 2018/19 audit of Homelessness Reduction Act (reasonable assurance)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• 2018 London SCB Review of MASH</li> </ul>	<ul style="list-style-type: none"> <li>• Private Sector Housing</li> </ul>
<b>Care and support – children’s (including children’s disability service)</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of Looked After Children (substantial assurance)</li> <li>• 2017/18 audit of Foster Care (substantial assurance)</li> <li>• 2017/18 audit of Schools Admissions (substantial assurance)</li> <li>• 2016/17 audit of Schools</li> </ul>	<ul style="list-style-type: none"> <li>• Special Guardianship Orders</li> <li>• Schools Audits</li> </ul>

<ul style="list-style-type: none"> <li>• 2018/19 audit of Adoptions (No Assurance)</li> <li>• 2018/19 Risk Assessment of Schools</li> <li>• 2018/19 Schools Audits</li> <li>• Annual programme of school audits covering all schools in the Borough on a risk basis</li> </ul>	
<b>School Improvement Partnership</b>	
No relevant assurance work ahead of go live in April 2018.	No specific audit requirements for 2019/20.
<b>Care and support – adults (including adult’s disability service)</b>	
Previous relevant internal audit work: <ul style="list-style-type: none"> <li>• 2017/18 audit of Adaptations Grant Scheme (No Assurance)</li> <li>• 2016/17 audit of Mental Health Safeguarding (Limited Assurance)</li> <li>• 2018/19 audit of Direct Payments (Limited Assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Charging Policy</li> <li>• Liquid Logic System Implementation</li> <li>• Adaptations Grants Scheme Follow-up</li> </ul>

#### 4. Internal audit plan 2019/20

The audit plan details the following: draft audit title (and indicative timing by quarter) and draft audit objective.

<b>Audit Title</b>	<b>Days</b>	<b>Audit Objective</b>
Charging Policy	15	As required.
Liquidlogic System Implementation	15	Deferred from 2018/19 so as not to detract management time from the expected OFSTED inspection. Audit of implementation of the Liquidlogic system in care and support children’s and adults
Special Guardianship Orders	15	Deferred from 2018/19. Audit of the control design and operating effectiveness of the special guardianship orders processes
Housing System Implementation	15	Implementation of a new system, involvement from the outset to ensure appropriate controls process established
<b>Audit Title</b>	<b>Days</b>	<b>Audit Objective</b>
Debt Recovery & Write-offs	15	Ensuring compliance with financial regulations and that all write-offs are appropriate and necessary and that all debts to LBBB are appropriately chased

Procurement	20	Compliance with Procurement Regulations, ensuring that contracts are in place as appropriate and are being used and that value for money is being achieved. Appropriate use of waivers.
Purchase Cards	15	Review of controls to ensure that PCs are only used when appropriate and only for bona fide purchases. Recovery of VAT.
Elevate Contract Exit	15	Deferred from 2018/19. Resources and plans expected to be in place by June 2019. Review of the Council's work preparing for the end of the Elevate contract.
Management of Heritage Assets	15	As requested.
Mainstay Contract Management	15	Review of contract monitoring and management
Voids	15	Turnaround times and controls in place to minimise void period
Accounts Payable	30	Key Financial
Accounts Receivable	20	Key Financial
Budgetary Control & Savings Management	30	Key Financial. Audit of the control design and operating effectiveness of budgetary controls and savings management, including monitoring and reporting of cost savings achieved
Payroll	20	Key Financial
Oracle system	30	Review of key control's around the Council's financial system
HR On/offboarding	15	Review of controls surrounding the joiners and leavers process - HR, IT, safeguarding, H&S etc
KPI Monitoring and Reporting	15	KPIs are being measured and reported in an accurate, consistent and meaningful manner.
Emergency Planning and Business Continuity	15	Review of strategic level preparations and how these cascade through the organisation
Public Health Grant	15	How the grant is spent, contract managed and delivered
Information Security	25	How information is gathered, stored, used and disposed of. GDPR compliance
Freedom of Information Requests	15	Compliance with regulations and a review of internal process and procedure
Brexit Impact	15	Review of the Council's assessment of the impact of Brexit and actions planned and taken in response
Passenger Transport	15	As requested, following on from 2018/19 work on Fleet Management
Commercial Waste	15	Audit of control design and operating effectiveness of commercial waste collections
Adaptations Grant Scheme	15	Follow up of 2018/19 "no assurance" internal audit report

<b>Audit Title</b>	<b>Days</b>	<b>Audit Objective</b>
Private Sector Housing	15	Deferred from 2018/19. New scheme to be implemented from September 2019.
School Audits	50	
School Follow-ups	5	
Prior year completion	10	Completion of the 2018/19 audit programme post 31 March 2019.
Prior year annual opinion	5	Drafting of the 2018/19 annual audit opinion.
Annual quality assessment	5	Annual review of internal audit against the PSIAS.
Internal audit methodology review	10	Review and update of the internal audit methodology, including review of the Internal Audit Manual 2014 and drafting of the quality assurance and improvement programme.
Grant claims	10	Review and sign off of grant claims where internal audit scrutiny is required / requested.
Proactive assurance support and advice	20	Attendance at relevant meetings to provide proactive assurance and advice including Assurance Group and Programme Boards.
Management requests	10	Responding to ad hoc management requests for audit support and advice.
Follow ups	30	Tracking management implementation of agreed action plans for critical and high rated findings; review and validation of evidence provided of implementation.
Audit planning	20	Periodic review and updating of the annual audit plan throughout the year and production of the internal audit plan 2020/21.
Committee reporting	5	Quarterly reporting to Assurance Group and PAASC.
External audit engagement and support	15	Engagement with external audit to work collaboratively and delivery of any control assignments identified by external audit to reduce the external audit costs.
Stakeholder engagement	20	Engagement with key stakeholders including ongoing updates to understanding of keys, activities and the performance of internal audit.
Management time	20	Management time of the audit team and the external provision.
Contingency	155	Contingency for ad hoc activity.

## **5. Resource requirement and financial implications**

The 2019/20 internal audit plan is estimated to consist of 865 days, the same as that originally agreed for 2018/19. Within the 865 days, contingency of 155 days has been included to allow for unplanned internal audit work. This level of contingency is significantly higher than that in 2018/19 to reflect the fact that the Head of Assurance is new to the Council and is still gaining an understanding of the control and risk environment. Indeed, the Head of Assurance is also undertaking a complete review of Risk Management that will undoubtedly identify further areas for Internal Audit review.

The budget for the full plan has been approved by the Chief Operating Officer.

## **6. Internal audit opinion**

The annual internal audit opinion will be based on and limited to the internal audits completed over the year and the control objectives agreed for each individual internal audit as set out in each Terms of Reference.

In developing the internal audit risk assessment and plan, the requirement to produce an annual internal audit opinion has been considered by determining the level of internal audit coverage over the audit universe and key risks.

## **7. Changes to the plan**

The plan is a live document and therefore audits will be added and removed to the plan where there are significant changes, including changes to activities, risks and assurances. Quarterly updates to Assurance Group and the Audit and Standards Committee throughout the year will include details of changes to the plan.

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**AUDIT AND STANDARDS COMMITTEE****3 April 2019**

<b>Title:</b> Counter Fraud Report Quarter 3 2018/19 (October-December 2018)	
<b>Report of the Chief Operating Officer</b>	
<b>Open Report</b>	<b>For Information</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
<b>Report Author</b> Kevin Key, Counter Fraud Manager	<b>Contact Details:</b> Tel: 020 8227 2850 E-mail: kevin.key@lbbd.gov.uk
<b>Accountable Strategic Leadership Director:</b> Claire Symonds, Chief Operating Officer	
<b>Summary:</b> This report brings together all aspects of counter fraud work undertaken to date during 2018/19. The report details progress to 30 September 2018	
<b>Recommendation:</b> The Audit and Standards Committee is asked to note the contents of the report.	
<b>Reason(s):</b> Assurance work helps to ensure good practice in corporate governance, risk management and internal controls all of which assist service areas in meeting their aims and the overall Council objectives.	

**1. Summary of counter fraud work undertaken for quarter 3 2018/19**

- 1.1 The tables below indicate the level of work completed in the two separate areas for which the team are responsible; Housing Investigation and Corporate Fraud.

**2. Corporate Fraud Activity including Whistleblowing**

- 2.1 The update on corporate fraud activity for Quarter 3 is set out below. The team receives many referrals throughout each quarter and will log and assess each case independently. A decision is then made as to what the best course of action is to deal with the referral. This means either the team will open an investigation, refer to another service block of the council or arrange for the matter to be referred to a specific manager for action.

2.2 2018/19 Quarter 3 Fraud referrals incl. whistleblowing

	17/18 Total	18/19 to date	Qtr 3
Cases Outstanding from last QTR			10
Referrals received in Period	301	186	37
Cases accepted for CFT investigation	18	26	13
No further Action after initial review/already known	195	13	1
Referred to other service block within LBBB	195	137	13
DPA, FOI, and other information provided		60	10
Cases closed following investigation	19	12	6
<b>Ongoing Corporate Fraud Investigations:</b>			17

2.3 For 2018/19 the recording has been slightly modified to more accurately review each incoming referral. This has prevented double counting in some areas and made it clearer as to what action is being taken on every referral received by us.

2.4 The referrals received relate to the number of cases that are sent through to the Fraud email inbox or where contact is made direct with members of the team. All contact is logged and assessed accordingly. Bearing in mind the scope of potential fraud, many referrals are sent through in the belief that fraud has been committed, but following assessment, found to be incorrectly sent to us.

2.5 We receive requests that relate specifically to CCTV, Subject Access, Freedom of Information and Data Protection as well as referrals relating to Housing Benefits, Council Tax, Department for Work & Pensions, Complaints, Parking Enforcement, Housing services, noise nuisance, Housing Association properties, Planning, Private Sector Licencing, Police matters and Trading Standards. In short, if there is a possibility/mention of fraud we are likely to have received a referral either via email or phone.

2.6 Outcomes – Quarter 2 and yearly total 2017/18

	17/18 Total	18/19 to date	Qtr 3
Recommended for disciplinary process/New cases as a result	0	3	3
Referred for Management action*	11	5	1
No fraud/No further action	13	4	2

\*includes 1 X case police are taking action – Uninsured vehicle displaying Blue Badge highlighted on Councillor walkabout.

### **3. Current / future key issues – Corporate**

- 3.1 There are currently 4 cases open relating to criminal investigations into current or former member of staff. 3 of those staff have formally been interviewed under caution and the intention is to interview the 4<sup>th</sup> in the coming weeks. All cases involve theft from the council and work is ongoing to establish enough evidence to proceed with a criminal prosecution of those involved. 3 staff members were employed within the Repairs and Maintenance section. The remaining staff member is employed within Be First.
- 3.2 As previously reported in quarter 2, in relation to the mandate fraud, Lloyds bank are in the final stages of arranging the return of the fraudulently obtained £16000.
- 3.3 A whistleblowing campaign was undertaken through November/December. The laptop background was changed, and posters placed throughout our buildings. While not a huge increase, the period did see an increase of staff calling through with enquiries/requests for advice.

### **4. Regulation of Investigatory Powers Act**

- 4.1 The Regulation of Investigatory Powers Act regulates surveillance powers, thus ensuring robust and transparent frameworks are in place to ensure its use only in justified circumstances. It is cited as best practice that Members maintain an oversight of RIPA usage.
- 4.2 The last inspection of RIPA was undertaken by the Office of Surveillance Commissioners in December 2016. The report was favourable, and all recommendations subsequently implemented. In September 2017 The Investigatory Powers Commissioner's Office took over responsibility for oversight of investigatory powers from the Interception of Communications Commissioner's Office (IOCCO), the Office of Surveillance Commissioners (OSC) and the Intelligence Services Commissioner (ISComm).
- 4.3 The current statistics are set out below following review of the central register, held by the Corporate Investigation Manager. As per previous guidelines, RIPA authority is restricted only to cases of suspected serious crime and requires approval by a Magistrate.
- (a) Directed Surveillance  
The number of directed surveillance authorisations granted during the Quarter October – December 2018 and the number in force at 31 December 2018
- Nil granted. Nil in Force.

(b) Communications Information Requests

The number of authorisations for conduct to acquire communications data (e.g. mobile phone data) during the Quarter October – December 2018.

Nil granted. Nil in force.

4.4 We remain an authority that does not appear to make use of RIPA. Other councils make use them which leads to 2 conclusions for LBBB; we either fail to utilise the process at all or unauthorised surveillance is taking place where RIPA should be obtained. Staff across the council have previously been trained and advised on the use of RIPA and an expectation is in place that for any use of covert surveillance, RIPA should be considered.

## 5. Housing Investigations

5.1 Members are provided specific details on the outcomes from the work on Housing Investigations. For 2018/19, positive outcomes are set out below.

5.2 2018/19 Quarter 2 Housing Investigations:

<b>Caseload</b>	17/18 Total	18/19 to date	Qtr 3
Open Cases brought forward from Q2			36
New Cases Added	256	124	21
Cases Completed	255	111	29
Open Cases			28

<b>On Going Cases - Legal Action</b>	Qtr 3
Notices Seeking Possession served	2
No of Cases - Recovery of property	5

<b>Outcomes - Closed Cases</b>	17/18	18/19 to date	Qtr 3
Convictions	1	0	0
Properties Recovered	12	10	3
Successions Prevented & RTB stopped/agreed	3	11	6
Savings (FTA, Single Person CTax, RTB, Decant)	£202262	£796695	£439400
Other Potential Fraud prevented/passed to appropriate service block incl Apps cancelled	160	45	6
Referral to others outside of LBBB	169	1	0
No further action required/insufficient evidence	N/A	44	14

5.3 In addition to the above other checks are routinely carried out and information provided to others. Below is an indication of the level of work undertaken.

	18/19 to date	Qtr 3
Data Protection Requests	42	7
Education Checks	231	99

(n.b education checks relate to assisting admissions in locating children or families to free up school places or confirm occupancy. Data Protection Requests are received from other local authorities, the police, and outside agencies and responses provided in accordance with GDPR).

## **6. Current / future key issues to be considered – Housing**

- 6.1 All staff within the team have now completed the Accredited Counter Fraud Specialist course through CIPFA.
- 6.2 Following on from the verification training of the Right to Buy Team and Sales and Leasing Officers, alongside the regular use of the IDScan verification system, the joint working has prevented £1,010,800 in RTB discounts be awarded to applicants that did not meet the criteria (appendix 1).
- 6.3 Proactive Work continues with properties being visited that are due to be decanted. This is intended to continue through all phases and is resulting in specific addresses being identified where there are concerns over occupancy. Another factor is that several vulnerable people, who have previously failed to engage with the council, have been visited and worked with to progress their moves away from blocks that are due for demolition.

## **7. Financial Implications**

- 7.1 The team is fully funded and there are no financial implications impacting on this report.

## **8. Legal Implications**

- 8.1 None

## List of appendices:

### Appendix 1

Property	Reason	Discount Saving
Weylond Road	Purchaser was not living in property declared he owned another property. His son, who also had the same name as the Purchaser, was living there with his family. Not a joint tenant.	£104,900
Chelmer Crescent	Was not living in property	£104,900
Tanner Street	Owned multiple other properties	£104,900
Rugby Road	Son & Sons husband were allowed to join but had not been living in property 12 months prior and should have been denied. Identified they had housing association property and tenancy ended a few days before RTB application submitted.	£104,900
Colne House	Cash purchase – unable to prove where money come from	£87,500
Elstow Road	Partner added to application but had not been living in property 12 months prior. Evidence we found on anite supports this.	£104,900
Enterprise House	Had a CCJ which is classed as a legal debt and application should never have been accepted whilst active.	£84,100
Padnall Road	Cash purchase £190,000 – previous bankrupt	£104,900
Meadow Road**	Husband supplied residency permit with application – permit shows no recourse to public funds should have been denied	£104,900
Rothwell Road**	Same as above	£104,900
	<b>TOTAL</b>	<b>£1,010,800</b>

\*\* These applications are going ahead in only tenant's name but if we had not identified the husbands no public funds restriction they would have been party to the purchase and the discount.

## AUDIT AND STANDARDS COMMITTEE

3 April 2019

<b>Title:</b> Review of the Committee's Terms of Reference	
<b>Report of the Director of Law and Governance</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
<b>Report Author:</b> David Symonds, Democratic Services Officer	<b>Contact Details:</b> Tel: 0208 227 2638 E-mail: <a href="mailto:david.symonds@lbbd.gov.uk">david.symonds@lbbd.gov.uk</a>
<b>Accountable Strategic Leadership Director:</b> Fiona Taylor, Director of Law and Governance	
<p><b>Summary:</b></p> <p>Following a Member-led Transformation Task Group, the Local Government Association (LGA) Corporate Peer Challenge and the recommendations of the Independent Growth Commission in 2016, a report on a review of Governance arrangements was submitted to the Assembly on 28 February 2018. Amongst the proposals that were agreed by the Assembly was the formation of a new Audit and Standards Committee from May 2018, which would be responsible for the audit functions of the Public Accounts and Audit Select Committee (PAASC) as well as the matters dealt with by the Standards Committee. The scrutiny-related functions of PAASC were to transfer to the new Overview and Scrutiny Committee.</p> <p>Arising from Members' discussions on the Audit and Standards Committee's new terms of reference at the meeting on 26 September 2018, officers were asked to provide a breakdown of the areas of work covered in relation to the current terms of reference. This was sent to Members prior to the meeting on 16 January 2019 and officers were subsequently asked to include the issue on the agenda for this April meeting.</p> <p>Following a review by officers, this report proposes the following main revisions to the Committee's current terms of reference:</p> <ul style="list-style-type: none"> <li>a) The transfer of the Performance elements – this information is regularly presented to the Cabinet and the responsibility to scrutinise any matters should fall under the Overview and Scrutiny Committee's remit;</li> <li>b) The revision to the Governance element relating to the Council's Financial Regulations and Rules within the Constitution to clarify that this Committee's remit extends to audit related matters only;</li> <li>c) The deletion of the Governance element relating to "Considering the Council's compliance with its own and other published standards and controls", as the wording is ambiguous and its intended purpose is covered among the Committee's remaining terms of reference;</li> <li>d) The transfer of the Finance elements that relate to financial management – this information is regularly presented to the Cabinet and the responsibility to</li> </ul>	

scrutinise any matters should fall under the Overview and Scrutiny Committee's remit;

Attached at Appendix A is a copy of the Committee's terms of reference showing the proposed changes in 'revision mode'.

It is intended that the above revisions would be presented to the Assembly on 15 May 2019 alongside a number of other proposed changes to the Council's Constitution.

### **Recommendation(s)**

The Audit and Standards Committee is asked to:

- (i) Endorse the proposed changes to the Committee's terms of reference as set out in Appendix A to the report; and
- (ii) Note that the proposed changes shall be presented for approval to the Assembly on 15 May 2019.

### **Reason(s)**

To assist the Council in meeting its priority of "a well-run organisation" through improved governance arrangements.

## **1. Introduction and Background**

- 1.1 A "Review of Council Governance Arrangements" report was submitted to and agreed by the Assembly on 28 February 2018. This recommended the creation of an Audit and Standards Committee, to combine the responsibilities of the existing Standards Committee and the audit functions held by the PAASC, to come into effect for the 2018/19 municipal year.
- 1.2 PAASC had previously maintained a scrutiny overview function in addition to its audit responsibilities. The scrutiny functions under PAASC were to transfer to the new Overview and Scrutiny Committee as part of the governance review.
- 1.3 At the meeting on 26 September 2018 and following the comments of the Independent Adviser (Audit), the Committee requested details of the functions the Committee was covering and the reports received in those areas. This information was sent to Members prior to the Committee's meeting on 16 January 2019.
- 1.4 At the meeting on 16 January 2019, the Committee further requested an agenda item for this meeting in order to discuss a review of the terms of reference in greater detail, which is the subject of this report.

## **2. Proposal and Issues**

- 2.1 The primary roles of an Audit Committee relate to internal audit, external audit, governance, risk and risk Management and considering statutory reports such as the Annual Statement of Accounts.



2.2 The review of the matters that this Committee has considered since the first meeting in June 2018 show that the Committee is fulfilling all of its relevant responsibilities. The review has, however, highlighted that some elements that should have transferred over to the new Overview and Scrutiny Committee as part of the governance review presented to the Assembly in February 2018 have remained within this Committee's terms of reference. Officers are also of the opinion that one area of responsibility would benefit from clarification and another removed from the Committee's terms of reference, as the wording is ambiguous and the responsibilities are covered elsewhere within the Committee's remit.

2.3 Set out below is an explanation of the proposed changes. The document at Appendix A (the Committee's terms of reference in the Council Constitution) shows the proposed changes in 'revision mode'.

**2.3.1 Performance (clauses (ix) to (xiii))**

The Cabinet is responsible for monitoring performance across all service areas, either directly itself or through bodies such as the Shareholder Panel (for Council-owned companies), and would be the primary body to consider the findings of reports from inspection agencies etc. The responsibility for scrutinising any areas of concern relating to these issues should fall under the remit of the Overview & Scrutiny Committee.

**2.3.2 Governance (clauses (xvii) and (xix))**

Clause (xvii) currently refers to "*maintaining an overview of the Council's Constitution in respect of the Financial Regulations and Rules*". The overall responsibility for the Constitution rests with the Assembly so this wording is slightly misleading. It is proposed, therefore, to tighten the wording so that it is clear that the Audit and Standards Committee must be consulted prior to any changes being proposed to the audit-related functions within the Financial Regulations and Rules (Part 4 Chapter 2 of the Constitution). The revised wording is as follows: "*Considering proposed changes to the Council's Financial Regulations and Rules, as they relate to audit functions.*"

Clause (xix) currently refers to "*Considering the Council's compliance with its own and other published standards and controls.*" This wording is quite vague and its intended purpose is covered by the Committee's responsibilities in relation to considering, amongst others, the Annual Statement of Accounts, the Annual Governance Report, the Information Governance Annual Report and the Internal Audit and Corporate Counter Fraud Annual Report.

**2.3.3 Governance (clauses (xx) and (xxii))**

Similar to paragraph 2.3.1 above, the clauses "*Considering regular reports concerning the financial management of the Council, including in year expenditure against budgets and use of reserves*" and "*Considering the robustness of the Council's annual budget setting process*" relate to activities under the general remit of the Cabinet. The responsibility for scrutinising any areas of concern relating to these issues should sit within the remit of the Overview & Scrutiny Committee.

2.4 The intention is to include the above revisions in a report to the Assembly on 15 May 2019 alongside a number of other proposed changes to the Council's Constitution.

### **3. Consultation**

- 3.1 The proposals in this report have been discussed with relevant officers within the Council's Democratic Services, Legal and Finance services.
- 3.2 The Chair of the Overview and Scrutiny Committee has also been consulted on the associated changes to that Committee's terms of reference.

### **4. Financial Implications**

*Implications completed by Katherine Heffernan, Group Manager, Finance*

- 4.1 There are no financial implications associated with this report. The costs of running and supporting the committee are funded within existing resources.

### **5. Legal Implications**

*Implications completed by Dr Paul Field, Senior Governance Solicitor*

- 5.1 Unlike police bodies and combined authorities, there is no statutory requirement for English councils to have an audit committee. However, the position of the Chartered Institute of Public Finance and Accountancy (the professional body for local authority finance), is that an audit committee is required as part of proper arrangements for financial management. In the case of this Council it has determined, as it is so able to do so, to fuse the Audit Function with the Standards Committee function which is also post the Localism Act 2011 not a required statutory requirement, but nevertheless a recommended established local authority committee, by the Committee for Standards in Public life.
- 5.2 The existence and effective functioning of an Audit and Standards Committee is an important signifier of a local authority having established effective checks and balances to ensure sound governance by financial oversight by elected Members so as to provide the full Council with independent assurance on those arrangements (see Local Authority Governance – National Audit Office 2019 (NAO. 2019)).
- 5.3 To be successful in its role the Audit and Standards Committee's terms and reference shall promote and ensure the maintenance of a sound system of financial management and internal control, including risk management, internal audit, and whistleblowing arrangements. Furthermore, there is an emerging view of best practice being is that there should be at least one independent Member of the committee for the purposes of audit (NAO. 2019). In the case of this Committee arrangements have been made to retain an independent advisor.
- 5.4 The NAO pinpoints key success factors for effective audit committees to be able to evidence that they have:
- A membership that are properly trained to fulfil their role;
  - A membership that are knowledgeable in relation to their role;
  - Engagement with a wide range of leaders and managers in the authority;
  - Engagement with a wide range of leaders and managers in the authority;
  - A strong, independently minded chair who displays a depth of knowledge;

- The audit committee provides sufficient independent assurance to the Council on the robustness of the authority's overall governance arrangements;
- The ability to challenge the Council's executive (Cabinet) and senior managers when required;
- Willingness to make recommendations for the improvement of risk, governance and control;
- A membership that are objective and independent of mind;
- Audit committee recommendations are acted on by the Council.

**Public Background Papers Used in the Preparation of the Report: None**

**List of appendices:**

- **Appendix A** - Proposed revised Audit and Standards Committee terms of reference from 2019/20

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## Part 2 - The Articles

### Chapter 13 – Audit and Standards Committee

#### 1. Status, Membership, Quorum and Meeting Frequency

- 1.1 The Audit and Standards Committee is a committee established under Section 102 of the Local Government Act 1972 and Section 28 of the Localism Act 2011.
- 1.2 The membership of the Committee shall be eight Councillors and the quorum shall be three.
- 1.3 The Assembly shall appoint the membership, including the Chair and Deputy Chair, at its Annual Meeting. Cabinet Members and the Chairs of the Overview and Scrutiny Committee and the Health Scrutiny Committee shall not be members of the Audit and Standards Committee. Political balance requirements of Section 15 of the Local Government and Housing Act 1989 apply when determining membership.
- 1.4 The Assembly shall also appoint up to three Independent Persons, pursuant to the Localism Act 2011 requirement, to give a view to the Committee or Sub-Committee on issues relating to complaints made regarding alleged breach of the Councillors' Code of Conduct.
- 1.5 The Committee shall appoint an Independent Adviser to advise on matters relating to the Council's audit functions.
- 1.6 The Committee shall meet on a quarterly basis with an additional meeting held, if necessary, to approve the publication of the Council's Statement of Accounts prior to 31 July each year.

#### 2. Responsibility for Functions:

- 2.1 The Audit and Standards Committee shall have the following roles and functions:

##### 2.1.1 Audit functions

###### Internal Audit

- i) Considering regular update reports concerning the work of Internal Audit, including progress on delivering the annual programme of work, emerging themes, risks and issues, and officer responsiveness in implementing recommendations and responding to Internal Audit.
- ii) Considering and agreeing an Annual Audit Report from the Chief Financial Officer and a summary of Internal Audit activity (actual and proposed), and the level of assurance it can give over the Council's corporate governance, internal control, and risk management arrangements.
- iii) Considering summaries of specific Internal Audit reports as requested.
- iv) Considering reports dealing with the management and performance of the providers of Internal Audit services.

### **Statutory and External Audit Functions**

- v) Considering the Annual Governance Report (both main and pension) and other relevant reports.
- vi) Considering the Annual Audit Letter, and other relevant reports.
- vii) Considering the Summary of Grant Certifications.
- viii) Considering other specific reports as agreed with the external auditor.

### **Performance**

- ~~ix) Considering the Council's performance monitoring reports and to closely monitor and evaluate the performance of the services and functions which fall within its remit.~~
- ~~x) Periodically reviewing the Council's capital spending.~~
- ~~xi) Reviewing the performance of any major contracts entered into by the Council.~~
- ~~xii) Reviewing performance of the arm's length entities created by and owned by the Council.~~
- ~~xiii) Considering the findings of any reports from any inspection agencies concerning the Council.~~

### **Governance**

- xiv) Receiving reports and making appropriate recommendations concerning corporate governance, risk management, decision-making and information governance and ensuring compliance with best practice.
- xv) Receiving reports and making appropriate recommendations concerning customer complaints and Local Government Ombudsman enquiries.
- xvi) Considering regular updates concerning Council policies relating to internal governance (including whistle-blowing, bribery and anti-fraud) and ensuring the implementation of relevant legislation relating to governance, fraud and corruption.
- xvii) ~~Maintaining an overview of~~ **Considering proposed changes to** the Council's Constitution in respect of the Financial Regulations and Rules, **as they relate to audit functions.**
- xviii) Approving the Council's Annual Governance Statement which accompanies the Annual Statement of Accounts.
- ~~xix) Considering the Council's compliance with its own and other published standards and controls.~~

## Finance

- xx) ~~Considering regular reports concerning the financial management of the Council, including in-year expenditure against budgets and use of reserves.~~
- xxi) Considering and approving the Annual Statement of Accounts and all related documents.
- xxii) ~~Considering the robustness of the Council's annual budget setting process.~~

### 2.1.2 Standards functions

- i) Promoting and maintaining high standards of conduct by Members and Co-Opted Members of the authority;
- ii) Appointment of a Hearing Sub-Committee to hear and make recommendations to the Monitoring Officer concerning complaints about Members and Co-opted Members referred to it by the Monitoring Officer (the composition, Terms of Reference and responsibility of functions for the Sub-Committee are referred to in paragraphs 3 and 4 below);
- iii) Receiving periodic reports from the Monitoring Officer on dispensations granted / refused, complaints received against Members, complaints resolved informally, complaints resolved after an investigation by the Hearing Sub-Committee and assessing the operation and effectiveness of the Members' Code of Conduct;
- iv) Advising on training or arranging to train Councillors and Co-opted Members on matters relating to the Councillors' Code of Conduct;
- v) Assisting Councillors and Co-opted Members to observe the Councillors' Code of Conduct;
- vi) Receiving referrals from the Monitoring Officer into allegations of misconduct, in accordance with the Council's assessment criteria;
- vii) Advising on the contents of and requirements for codes / protocols / other procedures relating to standards of conduct throughout the Council;
- viii) Maintaining oversight of the Council's arrangements for dealing with complaints;
- ix) Informing the Assembly and the Chief Executive of relevant issues arising from the determination of Code of Conduct complaints;
- x) On referral by the Monitoring Officer, granting dispensations pursuant to S33(2) (b), (c) and (e) of the Localism Act 2011 to enable a Councillor or Co-opted Member to participate in a meeting of the Authority;

- xi) Hear and determine appeals against refusal to grant dispensations by the Monitoring Officer pursuant to S33(2)(a) and (d) of the Localism Act 2011.

### **3. Hearing Sub-Committee**

- 3.1 In accordance with Section 28(6) and (7) of the Localism Act 2011, the Audit and Standards Committee shall appoint a Hearing Sub-Committee to conduct hearings and determine complaints.
- 3.2 The Hearing Sub-Committee shall consist of three Members, drawn from the membership of the Committee on a rota basis by the Chief Executive. The Chair shall be elected by the Sub-Committee at each meeting. Due regard shall be given to the political balance principles when drawing the membership of a Sub-Committee.
- 3.3 The quorum shall be two Members.
- 3.4 The Hearing Sub-Committee shall meet as and when required.

### **4. Responsibility for Functions of the Hearing Sub-Committee**

- 4.1 The Hearing Sub-Committee shall be responsible for:
  - (i) Hearing allegations that a Councillor or Co-opted Member has breached the Councillors' Code of Conduct.
  - (ii) Following a hearing, making one of the following findings:
    - (a) that the Member has not failed to comply with the Code of Conduct and no further action needs to be taken in respect of the matters considered at the hearing;
    - (b) that the Member has failed to comply with the Code of Conduct but that no further action needs to be taken in respect of the matters considered at the hearing;
    - (c) that the Member has failed to comply with the Code of Conduct and that a sanction and/or an informal resolution should be imposed.
  - (iii) Imposing any action or combination of actions available to it, or impose any informal resolution or combination of informal resolutions as are available to it by law or policy.
  - (iv) After making a finding, providing written notice of its findings and the reasons for its decision to the Member and complainant.

### **5. Management of Complaints**

- 5.1 The management of complaints shall be the responsibility of the Monitoring Officer in accordance with the procedure set out in Part 5, Chapter 1, paragraph 15 of this Constitution.



**6. Rights and Responsibilities of Independent Persons (for Standards functions)**

- 6.1 The role of an Independent Person is wholly advisory, providing advice to the Council on any allegation being considering of a failure of a Councillor or Co-opted Member, and to such a Councillor facing an allegation who has sought the views of the Independent Person.
- 6.2 An Independent Person may attend meetings of the Audit and Standards Committee and act in an advisory capacity only, with no voting rights.
- 6.3 An Independent Person shall have an advisory role in the decision-making process regarding complaints against Councillors and Co-opted Members in that his/her views must be sought and taken into account before decisions are made on allegations which the Monitoring Officer has decided to investigate.
- 6.4 An Independent Person may be consulted by the Monitoring Officer before a decision has been taken to investigate.
- 6.5 An Independent Person shall have an advisory role in any meeting of the Hearing Sub-Committees' decision-making process regarding complaints against Councillors and Co-opted Members. The views of an Independent Person must be sought and taken into account before decisions are made by the Hearing Sub-Committee.
- 6.6 An Independent Person may be consulted by a Councillor or Co-opted Member who is the subject of an allegation.
- 6.7 An Independent Person shall declare any interests, respect confidentiality and observe the Council's Procedures, Codes and Protocols in his/her workings with the Council.

**7. Rights and Responsibilities of Independent Advisor (for Audit functions)**

- 7.1 The role of the Independent Advisor is to provide advice to the Committee in respect of the audit functions described in paragraph 2.1.1 above.
- 7.2 The Independent Advisor shall be invited to attend all meetings of the Audit and Standards Committee to act in an advisory capacity only, with no voting rights.
- 7.3 The Independent Advisor shall declare any interests, respect confidentiality and observe the Council's Procedures, Codes and Protocols in his/her workings with the Council.

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