

Appendix 1: Internal Audit Annual Report 2019/20

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1. Introduction

This report outlines the work that Internal Audit have carried out for the year ended 31 March 2020.

The Public Sector Internal Audit Standards require the Chief Audit Executive (Head of Assurance) to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit & Standards Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The 2019/20 Internal Audit Plan, approved by the Audit and Standards Committee, included 29 audits, consisting of 27 risk and compliance audits, a risk assessment of schools and a project to follow-up prior year work in schools. 41 audits were delivered, consisting of 29 risk and compliance audits, 10 audits of schools, the schools' risk assessment and the schools' follow-up work. Reasons for variations in the plan were reported quarterly to the Audit and Standards Committee.

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

2. Head of Assurance Opinion

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

My opinion is based on:

- All audits undertaken during the year.
- Any follow up action taken in respect of audits from previous periods.

- Any significant recommendations not accepted and/or addressed by management and the resulting risks.
- The effects of any significant changes in the organisation's objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.
- What proportion of the organisation's audit needs have been covered to date.

My opinion is as follows:

Generally satisfactory with some improvements required.

Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk.

Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

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

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

3. The 2019/20 Internal Audit service

The in-house team has consisted of one substantive post, an Auditor working towards the Institute of Internal Auditors qualification. The Head of Assurance is the Council's Chief Audit Executive and splits his time between Internal Audit, Counter Fraud, Insurance and Risk Management.

The Internal Audit service continued to be supported throughout 2019/20 by Mazars through the Council's contract with LB Croydon and also PwC via the contract with LB Islington.

Internal Audit has remained independent of the business in 2019/20 and has had no direct operational responsibility or authority over any of the processes reviewed.

4. 2019/20 Internal Audit work conducted

The approved 2019/20 internal audit plan consisted of:

- 27 risk and compliance internal audits.
- 1 risk assessment of schools to determine where to focus the audits.
- 1 follow-up project of prior year work in schools.

Ten risk and compliance audits and fourteen school audits were added to the plan in the year as follows:

- Social Care Forecasting – added in Q3 following discussion with the Director of People and Resilience
- Education, Health & Care Plans – added in Q3 following discussion with the Director of People and Resilience
- Homelessness: Southwark Judgement – added in Q3 following discussion with the Director of People and Resilience
- Retrospective Purchase Orders – added Q4 following Head of Assurance attendance at Procurement Board
- Children's Transportation Commissioning – added in Q3 following risk review by Head of Assurance
- Capital Programme (Be First) – added in Q3 following discussion with the Finance Director
- Right to Buy & Sales Leasing – added in Q3 following discussion with the Director of Law, Governance and HR
- Stewardship of Council Vehicles – added following a referral to the Counter Fraud Team
- Data Transparency – added in Q3 following risk review by Head of Assurance
- Emergency Planning and Business Continuity – added in Q3 following Limited Assurance review
- Fourteen school audits added following the schools' risk assessment in Quarter 1:
 - All Saints Catholic Secondary
 - Beam Primary School
 - Becontree Primary School
 - Dagenham Park Secondary School
 - Grafton Primary School
 - Hunters Hall Primary School
 - Jo Richardson Community School
 - Richard Alibon Primary School
 - Ripple Primary School
 - Robert Clack Secondary School
 - Southwood Primary School
 - Marks Gate Junior School
 - Eastbury (all through) School
 - George Carey Primary School

The following twelve (8 risk and compliance and 4 schools) audits were deferred or cancelled as follows:

- Charging Policy – policy implementation delayed. Deferred to 2020/21.
- Special Guardianship Orders – assurance taken from other very similar audit. Deferred to 2020/21.
- Mainstay Contract Management – deleted in Q3 following risk review by Head of Assurance
- Brexit Impact – delays to the Brexit process. Deferred to 2020/21.
- Adaptations Grant Scheme – scheme ceased.
- Education, Health and Care Plans – service review not reporting until February 2020. Deferred to 2020/21.

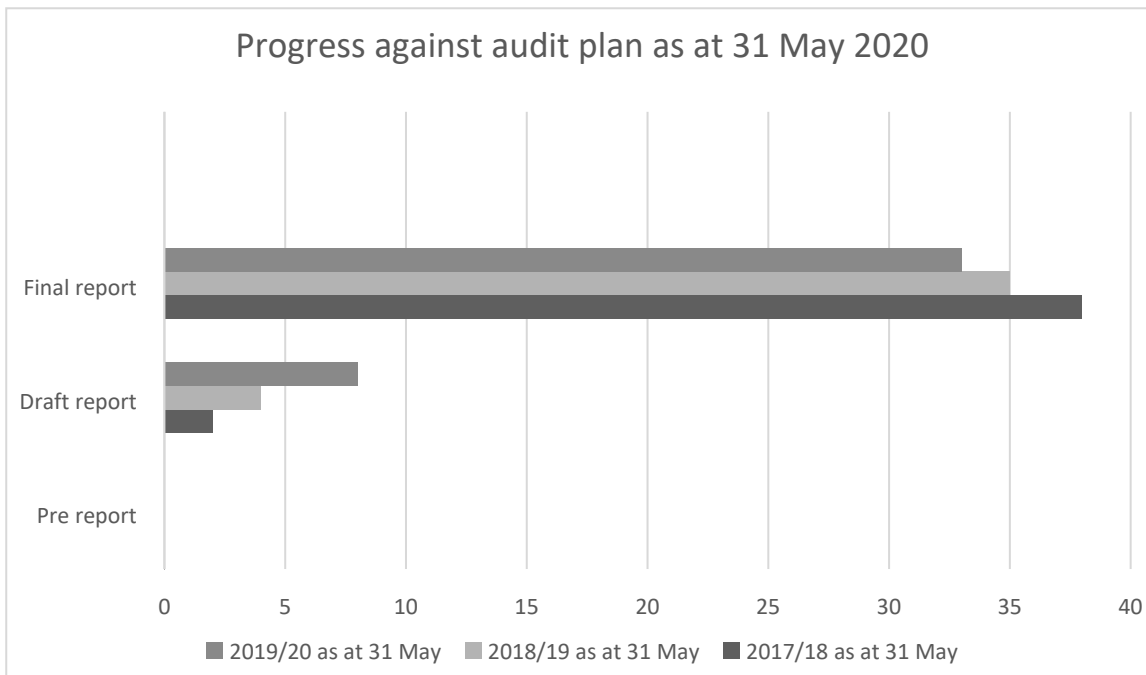
- Homelessness: Southwark Judgement – service impacted by COVID-19. Deferred to 2020/21.
- Emergency Planning and Business Continuity F/up – service impacted by COVID-19. Deferred to 2020/21.
- Beam Primary School – audit started but abandoned when schools closed due to COVID-19. Deferred to 2020/21.
- Southwood Primary School – audit started but abandoned when schools closed due to COVID-19. Deferred to 2020/21.
- Marks Gate Junior School – became part of the new Rose Lane Primary School. Deferred to 2020/21.
- Eastbury (all through) School – audit started but abandoned when schools closed due to COVID-19. Deferred to 2020/21.

5. Progress against audit plan

Of the remaining 41 audits (29 risk and compliance and 12 audits of schools), as at 31 March 2020, 1 was at draft report and 24 at final report stage with the remainder still at fieldwork stage. The total of 61% at report stage fell short of the target of 80%.

During April and May 2020, further progress was made in finalising draft reports meaning that, as at 31 May 2020, 8 were at draft report and 33 at final report stage. This met the target of 100% at report stage by this date. All reports have since moved to being final reports.

Progress Status	2019/20		2018/19		2017/18	
	31 May 2020		31 May 2019		31 May 2018	
Final Report	33	80%	35	90%	38	92%
Draft Report	8	20%	4	10%	2	8%
Pre-report	0	0%	0	0%	0	0%
TOTAL	41		39		40	



6. Results of the Internal Audit work

Risk and Compliance audits

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

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

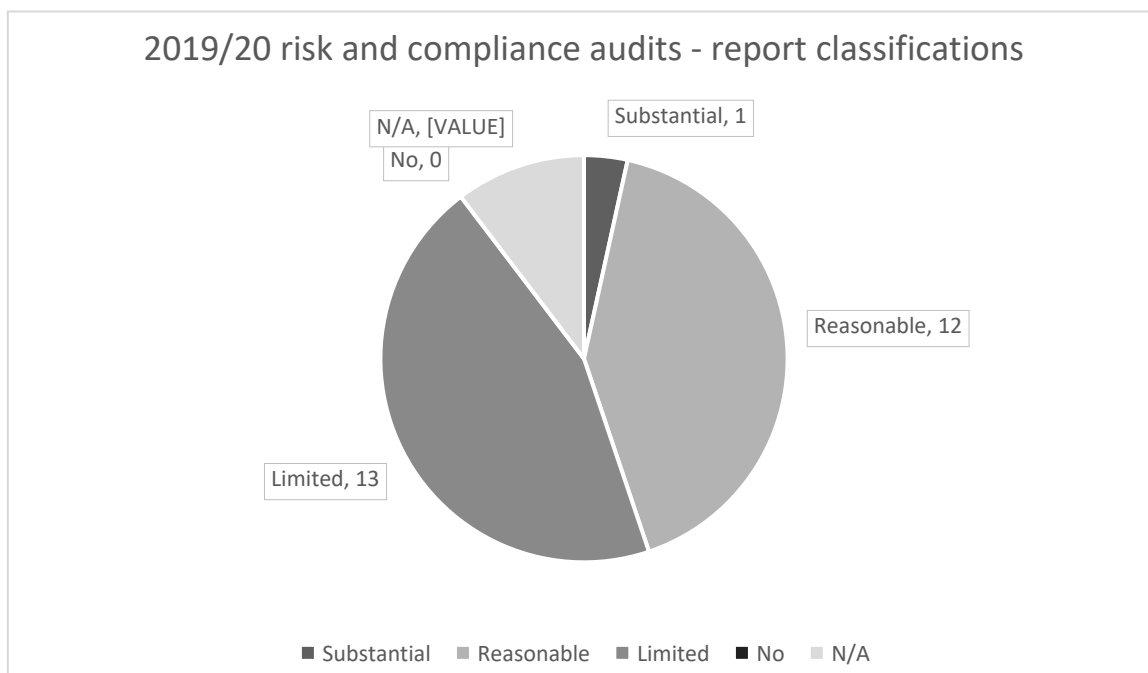
Internal Audit findings are categorised Critical, High, Medium and Low risk (or advisory) depending upon the impact of the associated risk attached to the recommendation.

Definitions of the ratings can be found at Appendix 3.

The table below sets out the results of our 29 risk and compliance 2019/20 internal audits:

Audit	Opinion	Number of Findings			
		Critical	High	Medium	Low
Liquidlogic System Implementation	Limited	0	2	1	1
Housing System Implementation	N/A	-	-	-	-
Debt Recovery & Write-offs	Limited	0	2	4	0
Procurement	Reasonable	0	1	1	0
Purchase Cards	Limited	0	3	5	1
Elevate Contract Exit	Reasonable	0	0	1	1
Management of Heritage Assets					
Voids	Limited	0	3	0	0
Accounts Payable	Reasonable	0	0	3	0

Accounts Receivable	Limited	0	1	2	1
Budgetary Control & Savings Management	Reasonable	0	0	2	2
Payroll	Reasonable	0	1	0	1
Oracle system	Limited	0	2	1	2
HR On/offboarding	Reasonable	0	0	3	0
KPI Monitoring and Reporting	Limited	0	2	1	0
Emergency Planning and Business Continuity	Limited	0	2	1	0
Public Health Grant	Reasonable	0	0	4	2
Information Security	Reasonable	0	0	4	0
Freedom of Information Requests	Limited	0	2	2	2
Passenger Transport	Limited	0	2	1	0
Commercial Waste	Reasonable	0	1	0	0
Private Sector Housing	Substantial	0	0	0	0
Social Care Forecasting	Reasonable	0	0	2	1
Children's Transportation Commissioning	Limited	0	1	3	0
Capital Programme - Be First	N/A	0	4	0	0
Right to Buy & Sales Leasing	Limited	0	2	9	1
Stewardship of Council Vehicles	Limited	0	3	1	0
Data Transparency	Reasonable	0	0	1	3
Retrospective Purchase Orders	N/A	0	0	0	0
Total		0	34	52	18



There were as many 'Limited Assurance' reports issued in 2019/20 as the more positive 'Substantial Assurance' or 'Reasonable Assurance' reports. This demonstrates that Internal Audit resources continue to be focused in the most appropriate areas and are effective at adding value to the organisation.

We issued thirteen "Limited Assurance" report in the year as follows:

Title	Summary of findings and current progress to address reported high-risk findings
<p>Liquid Logic System Implementation</p> <p>The objective of this audit was to evaluate the control design and operating effectiveness of key controls in place over Liquid Logic Access.</p>	<p>Liquid Logic had been in place within the Council for about a year. While the system is maintained by Liquid Logic itself there is a Liquid Logic team within the Council who are responsible for ensuring that access to information within Liquid Logic is secured. Internal Audit has observed through testing a number of instances of good practice. In particular it was noted that there was a high level of challenge for non-social workers attempting to access information or gain access to reports, with a focus on minimising the number of people with access to sensitive records. This was also reflected in the requirement for social workers to review the access logs to the records they control to ensure that team members only access these records when they have a valid need to (such as providing holiday cover).</p> <p>However, while we have seen examples of good practice there is a lack of rigour around the documentation and recording of actions taken. This limits accountability for users if information was to be lost. We identified two high risk findings that highlight these issues:</p> <ul style="list-style-type: none"> • User Access to Liquid Logic - The Liquid Logic team do not currently have a single storage site for user access requests and as a result they were unable to demonstrate the approval of seven users out of 25 tested where access to the system was granted. They are also not currently notified of leavers by HR and as a result two users were identified who have left the Council but not been removed from the access from the system. The Council tries to minimise this risk through a recertification but this is not done on regularly but on an ad hoc basis when resources allow. • Inventory of management reporting - The Council produces a significant number of management reports using information from Liquid Logic. They do not currently have a complete inventory of all these reports and who receives them. Without this inventory there is a lack of accountability for who is receiving these reports and what they are doing with them. This could lead to a data breach if they are shared with the incorrect people or misplaced/lost. <p>There were also one medium risk finding.</p> <p><i>Internal Audit follow-up currently in progress.</i></p>
<p>Debt Recovery & Write-offs</p> <p>The objective of this audit is to evaluate the control design and test the operating effectiveness of key controls in place over Debt Recovery and Write-offs in Adult Social Care.</p>	<p>The overall debt recovery & write off management process currently in place for Adult Social Care is very manual due to limitations in the capability of Oracle. This makes the process to chase debts very time consuming and with less than one FTE assigned to this a significant back log (approximately £1.6 million) of debts has developed that needs to be recovered or written-off.</p> <p>We identified two high risk findings that needed to be address by the Council and Elevate:</p> <ul style="list-style-type: none"> • Backlog in the follow up of debtors – There is a process in place to chase debtors after 28 days of the invoice being issued through a series of emails and calls to the debtor. A review of a sample of aged debtors revealed that this process is not always followed and that in 23 of 25

	<p>debts tested there were significant delays in chasing the debtor, for instance in 13 instances no action had been taken to chase the debts. This appears to be the result of a very manual process with basic operations such as sending chaser emails, tracking the current state of debtors and tracking the progress of addressing queries to the Council being done manually outside the system.</p> <ul style="list-style-type: none"> • Debts not being taken to court due to concerns about the quality of the data on historic debt – Elevate is not currently pursuing any historic debts through Court action. This is because previous attempts to recover debts in this way have been hampered by issues with the accuracy the records supporting the liabilities. <p>There were also four medium risk findings.</p> <p><i>The Director of Community Solutions is leading a project on the Council's corporate approach to debt management that will address these actions.</i></p>
<p>Purchase Cards</p> <p>The objective of this audit is to evaluate the control design and test the operating effectiveness of key controls in place over the use of Purchase Cards with a particular focus between April and June 2019.</p>	<p>Purchase cards are issued and managed on behalf of LBBB by the Procurement and Accounts Payable team currently within Elevate East London. As at June 2019 there were 96 corporate cards in use, which had been used to purchase goods to the value of £191,538.10. Purchase cards are operated in a similar manner to domestic credit cards and are issued to individual users based on need and are intended for low value purchases when it is not possible to use the Council's standard procurement procedures. Before purchase cards are issued individual training is delivered by Procurement and Accounts Payable and a copy of Purchasing Cardholder Policy is issued. This policy is also available to card holders on the intranet.</p> <p>We identified three high risk findings:</p> <ul style="list-style-type: none"> • Security of cards – Purchase cards were not always kept secure and a small number of instances of card users sharing cards with colleagues were identified. • Retention of documentation – Only one card user of 20 was able to provide receipts for every purchase made during the testing period of April to June 2019. • Inappropriate expenditure – Three transactions which were inappropriate and could not be justified as meeting business needs were identified. These were immediately and robustly dealt with. <p>There were also five medium risk findings.</p> <p><i>The Training Slide Deck has been updated to reflect the findings of the audit and the User Guide has also been updated for the benefit of all Cardholders. This Guide was re-issued to all existing Cardholders and now issued as standard to all new holders.</i></p> <p><i>Immediate management action was taken as necessary in the areas identified as having inappropriate expenditure.</i></p>
<p>Voids</p> <p>The objective of this audit is to evaluate the control design and test the operating effectiveness of key controls in place over voids during April 2019 to June 2019.</p>	<p>Housing voids are managed by Landlord Services within My Place, who commission BD Management Services Ltd to carry out the management of refurbishment and maintenance works within void properties in order to ensure properties are ready to re-let within a timely manner once it has become vacant.</p> <p>Three high risk findings were identified:</p> <ul style="list-style-type: none"> • Lack of operational procedures – (My Place) – Documented operational procedures were not in place for the voids process within My Place. • Incomplete operational procedures (BDMS) – Operational procedures for the voids process within BDMS were out of date or incomplete.

	<ul style="list-style-type: none"> Unclear expectations of performance and oversight of BDMS – Expectations of standards, quality and performance had not been clearly defined and communicated. <p><i>All agreed actions have been implemented.</i></p>
<p>Accounts Receivable</p> <p>The objective of this audit is to evaluate the control design and test the operating effectiveness of key controls in place over Accounts Receivable.</p>	<p>The London Borough of Barking and Dagenham (LBBB) has a wide variety of income sources ranging from payments made for council services such as pest control, to various fines and charges in areas such as parking. This income all must be billed and collected.</p> <p>Currently, all invoices are raised on a self-service basis through Oracle by the relevant council teams. The debt collection processes i.e. the chasing and follow up on the payment of invoices was done by Elevate East London.</p> <p>This review has looked at the end to end process and we have found that invoice processing is generally timely and accurate. For instance, we noted that in the entire year only five invoices have taken more than 30 days to process. However, management within the Council struggled to provide evidence to support some invoices processed and some of the credit notes raised as part of our testing. This may be down to poor storage of this information, as none of the areas audited used any formal system or shared folder to store the information.</p> <p>There appears to be a significant issue with the amount of management information that can be extracted from the system in relation to accounts receivable and debt. In particular, there is no reporting available around the aging of debtors, limiting the ability of the team to identify blockages or problems relating to debtors or to prioritise areas where debt collection may not be effective. This reflects the fact that the functionality of Oracle is limited and in need of automation with tasks such as raising invoices requiring more intervention from the team. Management are currently looking to replace Oracle and should take this into account when scoping its replacement.</p> <p>We identified one high risk finding:</p> <ul style="list-style-type: none"> Lack of evidence for approvals of invoices and credit notes – Management were unable to provide evidence of the approval of a number of invoices and credit notes tested. This may be due to the lack of a shared folder to store these in. If these approvals did not take place it may mean that invoices and credit notes were raised inappropriately or for the incorrect values. <p>There were also two medium risk and one low risk findings.</p> <p><i>These actions are not yet due for follow-up.</i></p>
<p>Oracle system</p> <p>The objective of this audit is to evaluate the control design and test the operating effectiveness of key controls in place within Oracle.</p>	<p>Oracle is the key financial system used by the Council. It is currently managed through a shared service arrangement with the London Borough of Brent. This is a long-standing arrangement with relatively mature controls. However, we have identified two high risk issues with the control framework currently in operation.</p> <p>The first of these is the access to the underlying production database that Oracle runs in. Some users have access to this who are part of the development team that develop changes. This may allow them to develop and implement unapproved changes. There is also limited audit logging off access to the database reducing the ability to monitor and prevent misuse.</p> <p>The second is around access to Oracle, which has to be approved by managers, but currently managers only check the access that is being granted not any conflicting accesses that users may already have. The help desk then grants access with no further checks as the roles/profiles within Oracle which are in conflict have not been defined. This could be result in fraud or error</p>

	<p>where controls like the need for segregation of duties in the invoicing process and supplier set up and maintenance can be circumvented.</p> <p>Management are currently procuring a replacement for Oracle and so they need to consider not just how to fix these issues for the 18 months that the current version will remain in use but also to ensure these are addressed in the replacement system.</p> <p>We identified two high risk findings:</p> <ul style="list-style-type: none"> • Access to Database - Access to the database that Oracle sits on is generally restricted to the Database administrators who maintain it. However, there are three members of the Development team at the London Borough of Brent with access to the Database. This could be mitigated if a suitable audit log was in place to monitor their actions. However, no audit logging is currently in place. Without sufficient control over access to the database it may possible to circumvent the controls approving changes to Oracle. This could lead fraud if a chance was made that circumvented controls with Oracle. • Access to Oracle - Users need approval from there manager for all access rights they have for Oracle. We noted that two of the 25 starters we tested had a least one of their access rights approved by someone other than their manager. We also noted that there are no checks done by the help desk to ensure that managers are not approving access that conflicts with existing access rights. This may lead to users being granted inappropriate access leading to financial and reputational damage. <p>There were also two medium risk findings.</p> <p><i>These actions are not yet due for follow-up.</i></p>
<p>KPI Monitoring and Reporting</p> <p>The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place over KPI Monitoring and Reporting.</p>	<p>The Corporate Performance Framework is a method of monitoring the Borough's performance against the Corporate Plan and other key strategies. It is a collection of performance indicators and key accountabilities chosen to help the Borough improve in its priority areas and show progress against the long term vision as set out in the Borough Manifesto.</p> <p>The Corporate Plan sets out the KPIs that are used to measure the performance of the Borough. The Corporate Performance Framework was signed off by Cabinet in March 2018. The Corporate Plan and its approval along with the Corporate Performance Framework were published and are available to the public via the LBBB website.</p> <p>Initial targets were set alongside the Corporate Plan, in order to help achieve the goals set within both the 5-year Corporate Plan and the Borough Manifesto. Targets were required to be reviewed by the Strategic Directors, in collaboration with senior management from each department, on an annual basis.</p> <p>The responsibility for the calculation of the KPIs had been delegated to the relevant key officers within the departments. This responsibility involved collating all necessary source data, confirming the accuracy of that data, calculating the KPIs, providing commentary on the results of the KPI and providing action plans where performance was below targets. The calculation criteria for the sample of 15 KPIs selected had been set by central government if the KPI was statutory or by Strategic Directors and Councillors if the KPI was a local indicator.</p> <p>A Corporate Reporting Timetable is circulated to staff at the outset of each reporting cycle that states the deadlines at which all KPIs must be reported and when KPIs would be reviewed by the Corporate Performance Group and Cabinet. Minutes of Cabinet meetings are made available on the Council website. Subsequent to approval by the Corporate Performance Group and Cabinet, the Quarterly Performance Reports are published on the Council</p>

	<p>website.</p> <p>Our testing identified two high risk findings:</p> <ul style="list-style-type: none"> • Incorrectly calculated KPIs – We identified instances where the KPI was incorrectly calculated. • Source data not available – We identified a case where KPI source data was not available. <p>There was also one medium risk finding.</p> <p><i>A new Single Performance Framework was implemented in April 2020 that incorporates a central storage of location for all corporately reported data. A rolling programme of checks of KPI calculations has also been put in place. Internal Audit will review the progress of both of these in August 2020.</i></p>
<p>Emergency Planning and Business Continuity</p> <p>The objective of this audit is to evaluate the control design and test the operating effectiveness of key controls in place over Emergency Planning and Business Continuity from during March 2019 to May 2019.</p>	<p>The London Borough of Barking and Dagenham are part of a tri-borough partnership with Waltham Forest and Redbridge. Prior to audit fieldwork beginning it was acknowledged that there was at the time a lack of formal Business Continuity Plans in place across the organisation.</p> <p>Due to the absence of formal Business Continuity Plans across services with the exception of Community Solutions and Civil Protection, our testing against the agreed scope of the audit was limited and we were unable to verify the operation of a number of controls and processes detailed during interviews.</p> <p>Our testing identified two high risk findings:</p> <ul style="list-style-type: none"> • Information held within the Business Continuity Plans that did exist was not always accurate and did not properly reflect the operations, structures and location of the business. • There is some evidence of the Civil Protection team trying to progress BCPs and of teams being slow or failing to respond. There is therefore a need for the organisation as a whole to give this issue greater priority. <p>There was also one medium risk finding.</p> <p><i>All agreed actions have been implemented. Of the 25 priority services, two were downgraded to non-priority and the other areas all submitted BCPs and had them quality assured. The Business Continuity Steering Group started to meet on a regular basis. A further review of this area was planned for March 2020 but deferred due to the Covid-19 pandemic and the actual enactment of BCPs.</i></p>
<p>Freedom of Information Requests</p> <p>The objective of this audit is to evaluate the control design and test the operating effectiveness of key controls in place over the management of Freedom of Information requests during the period December 2018 to November 2019.</p>	<p>Requests for information received in accordance with the Freedom of Information (FOI) Act 2000 are managed by the Complaints Team who log, allocate, monitor and respond to the requests. All requests must be made in writing, and a response must be provided within 20 days. Requests may be refused if they are considered to place an unreasonable burden on resources, exceed cost limits or if the personal information of a living person is included. A request cannot be refused because the information is out of date or considered to be incorrect.</p> <p>Between December 2018 and November 2019 1529 requests for information were received. Of these, 13% were not responded to within the 20 day deadline. During this audit testing included a review of internal procedures and a review of 50 requests responded to or still open during September to November 2019.</p> <p>We identified two high risk findings:</p> <ul style="list-style-type: none"> • Deadlines of FOI responses were not being met - 13% of FOI requests are not responded to within the 20-day time scale. Of 50 cases reviewed it was found that 31 did not receive reasonable follow up or escalation.

	<ul style="list-style-type: none"> Inconsistent approach to the level of seniority required to provide FOI responses – There was no consistent approach to how senior officers in each service are required to be in order to return FOI responses. <p>There were also two medium risk findings.</p> <p><i>All agreed actions have been implemented.</i></p>
<p>Passenger Transport</p> <p>The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place over the Passenger Transport Service during the period January 2019 to May 2019.</p>	<p>The Passenger Transport Service is managed within LBBD by My Place. As at 13 May 2019, there were 318 children using the Passenger Transport Service to attend eight schools, and 46 adults who use the service to attend two day centres on a rota basis. The current SLA in place for children has commissioned 23 routes, with an additional six being agreed in December 2018 in addition to this. New vehicles have been purchased to be in place by September 2019 which will have additional space and security functions such as CCTV.</p> <p>We identified two high risk findings:</p> <ul style="list-style-type: none"> Completeness of essential records for service users – We found that complete records were not available for all service users, and that records were kept in the wrong locations / were available to staff who did not require these. Training – We found up to date training records were not available. <p>There was also one medium risk finding.</p> <p><i>All agreed actions have been implemented.</i></p>
<p>Children's Transportation Commissioning</p> <p>The objective of this audit is to evaluate the control design and test the operating effectiveness of key controls in place over Children's transport commissioning.</p>	<p>The Council has a duty to provide support to around 500 of its pupils that have some form of disability to allow them to get to school. This can be done in several ways but generally requires the provision of some form of vehicle to take them to school.</p> <p>The Council does this in two ways: They have a framework in place with a private sector organisation to provide taxis to school for some pupils or a draft SLA with My Place, within the Council, to provide support through the Council's transport pool. The framework for the private sector providers is currently being retendered as it only runs to the end of 2020.</p> <p>The Council's Children's Commissioning team works with both internal and external providers on a daily basis to keep the service running and address issues as they occur. This reflects a commissioning strategy focused on the relationship with the providers and developing their abilities through workshops looking at areas such as safeguarding. This strategy is needed due to the difficulty getting transport providers to deliver these services.</p> <p>This relationship-based approach is good practice but needs to be reinforced with regular formal touch points, clear contracts and inspection of policies and procedures. This is happening in some critical areas such as the robust checking we have seen of driver and assistants Disclosure and Baring Service (DBS) checks. However, this could be improved further, including the need for formal contract management meetings to assess providers against their key performance indicators' (KPI's), ensure that Health and Safety checks are fully documented and finalise a formal Service Level Agreement (SLA) for internal provision.</p> <p>While conducting this review, we identified no critical findings, however, we did identify one high risk finding, which is set out below:</p> <ul style="list-style-type: none"> Health and safety - The Council receives health and safety policies from each of the providers and has these assessed by the London Safeguarding Children's Board (LSCB). However, the Council does not receive or retain any confirmation of these assessments. These policies

	<p>being assessed are also heavily focused on safeguarding and therefore do not cover health and safety (H&S) issues such as vehicle safety. If the Council does not have effective health and safety policies to safeguard children, there may be reputational and legal issues in the event of an incident.</p> <p>There were also three medium risk findings.</p> <p><i>These actions are not yet due for follow-up.</i></p>
<p>Right to Buy & Sales Leasing</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 Right to Buy and Buy Backs.</p>	<p>A flowchart is in place which details the various stages which need to be followed when processing a Right to Buy (RTB) application. The flowchart includes details of the tasks and teams responsible for doing so. Two checklists are in place for the process to ensure all the correct checks (e.g. bankruptcy search, Council debt check, tenancy checks) have been completed and all stages of the process completed. The Capita system is used to record what stage of the process each case is at up until it is passed to the Conveyancing Team, who use their own monitoring spreadsheet.</p> <p>Valuations were previously completed by an external contractor but have now been brought in house with a dedicated surveyor.</p> <p>Upon completion of the RTB process the relevant Council departments are notified (e.g. Asset Management, Council Tax etc.). Money received for the sale is confirmed to have been received in the Council's bank account with evidence retained on file.</p> <p>Buy Backs are taking place on regeneration projects only at the time of audit due to financial constraints. Any repayment of discounts or first refusal opportunities should be flagged to the Council by the seller's solicitors due to the charge on the Land Registry. Buy Backs for regeneration projects are processed by the Conveyancing Team with a checklist followed to ensure all parts of the process have been completed.</p> <p>The audit identified two high risk findings:</p> <ul style="list-style-type: none"> • Conveyancing – Conveyancing is currently undertaken by a Team with no legal qualifications, and no oversight from a qualified professional (Solicitor or Licensed Conveyancer) in My Place. An internal investigation has already been completed and the results were reported via memo to key personnel on 22 March 2019 but no formal decisions have been made as it is pending the outcome of this audit. • Updating the Land Registry – Evidence is not being obtained to confirm the Land Registry has been updated to include the relevant charges after a RTB sale. <p>There were also nine medium risk findings.</p> <p><i>A team structure review is taking place which will see the recruitment of a part time Conveyancing Solicitor to undertake all reserved activities. This will be done as part of a wider My Place restructure which has been put on hold due to COVID-19 due to concerns surrounding consulting with staff remotely. As an interim measure there is now oversight from Legal Services who sign off the Land Registry changes and closing cases. This will be subject to further Internal Audit follow-up work.</i></p>
<p>Stewardship of Council Vehicles</p> <p>The objective of this audit is to evaluate the control design and test the operating</p>	<p>Vehicles that have been procured on behalf of the Council are maintained by Fleet Management. Management within each service are however responsible for the usage and allocation of vehicles assigned to their business area.</p> <p>All vehicles included within the fleet are insured by Zurich Municipal on behalf of the Council. The policy includes vehicles used by the Council and partner companies including BDTP and BDMS / We Fix who must adhere to the same</p>

<p>effectiveness of key controls in place over the stewardship of Council vehicles during the period June 2019 to September 2019.</p>	<p>assessment requirements as LBBD officers.</p> <p>During this audit a series of interviews were carried out with the management of different service areas to review what policies were in place across the organisation and how vehicles are being used and managed. A review of vehicle and driver information held by Fleet Management was compared to the information held by service managers to ensure that all vehicles are insured, and drivers are insured and authorised to use vehicles.</p> <p>The audit identified three high risk findings:</p> <ul style="list-style-type: none"> • Outdated operational procedures – The Drivers Protocol has not been updated since 2014 and contains out of date information. • Drivers not appropriately authorised to drive Council vehicles – Three drivers had not been assessed to confirm their fitness to drive which is a requirement to be insured by Zurich Municipal. • Drivers potentially not suitable to drive Council vehicles– Two named drivers had requested to be removed from the list of approved drivers at which point DVLA checks had ceased and the driving assessment would need to be carried out again before any further use of Council vehicles. Management were unaware that they should no longer be driving. <p>There was also one medium risk finding.</p> <p><i>All agreed actions have been implemented.</i></p>
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A critical risk is defined as requiring immediate and significant action. A high risk is defined as requiring prompt action to commence as soon as practicable where significant changes are necessary. Management are expected to implement all critical and high-risk recommendations by the agreed target dates. Internal Audit tracks management progress by way of a chase up or follow up to the audit client accordingly. Slippage in implementing agreed actions does occur and requires management to instigate revised targets and consider ways to mitigate the identified risks.

The following table summarises the critical and high risk findings, as at 31 May 2020, that have been reported, implemented, were outstanding and were beyond their due date:

	Reported	Implemented	Outstanding	Beyond due date
Previous years b/f:	10	10	0	0
Current year:	34	12	22	2
Total:	44	22	22	2

The progress in implementing the high-risk recommendations overdue as at 15 July 2020 has been reported in the following table:

Finding	Agreed Action	Latest progress as reported by management
Right to Buy and Sales Leasing – Limited Assurance		
Updating the Land Registry - the applicant's solicitors are currently responsible for updating the Land Registry following the completion of a sale. Testing of a	<p>The Local Land Charges Team will add the property charges to Land registry.</p> <p>On completion a memo will be sent of each sale requesting that the charge is</p>	<p>In progress, expected completion September 2020: A team review is taking place which will see the recruitment of a part time conveyancing solicitor to undertake all reserved activities. This will be done as part of a wider My Place restructure which has been put on hold due to COVID-19. As an interim</p>

<p>random sample of 20 cases confirmed that only one had any evidence that the necessary charges had been filed on the Land Registry.</p>	<p>added to the property and confirmation of this being completed will be received and verified.</p> <p>As back-up we will also seek assurances from the buyers' solicitors that all appropriate charges have been added to the land registry once the sale has been completed.</p> <p>Agreed Date: 31 January 2020</p>	<p>measure there is now oversight from Legal Services who sign off the Land Registry changes and closing cases.</p>
<p>Conveyancing - discussion with the Interim Head of Leasehold Services and Reside confirmed that currently the conveyancing part of Right to Buy and Buy Backs is performed by a Team with no supervision from a legal professional. The Legal Services Act 2007 lists any activity which involves preparing an "instrument" relating to "property" as a reserved activity which must be completed at least under the supervision of a qualified legal professional.</p>	<p>We will ensure that the RTB officers are not carrying out reserved activity, regulated by the Legal Services Act 2007, without appropriate supervision from someone with a legal qualification.</p> <p>Consultation with Legal Services to continue.</p> <p>Agreed Date: 31 January 2020</p>	<p>In progress, expected completion September 2020: A team review is taking place which will see the recruitment of a part time conveyancing solicitor to undertake all reserved activities. This will be done as part of a wider My Place restructure which has been put on hold due to COVID-19. As an interim measure there is now oversight from Legal Services who sign off the Land Registry changes and closing cases.</p>

Audits of Schools

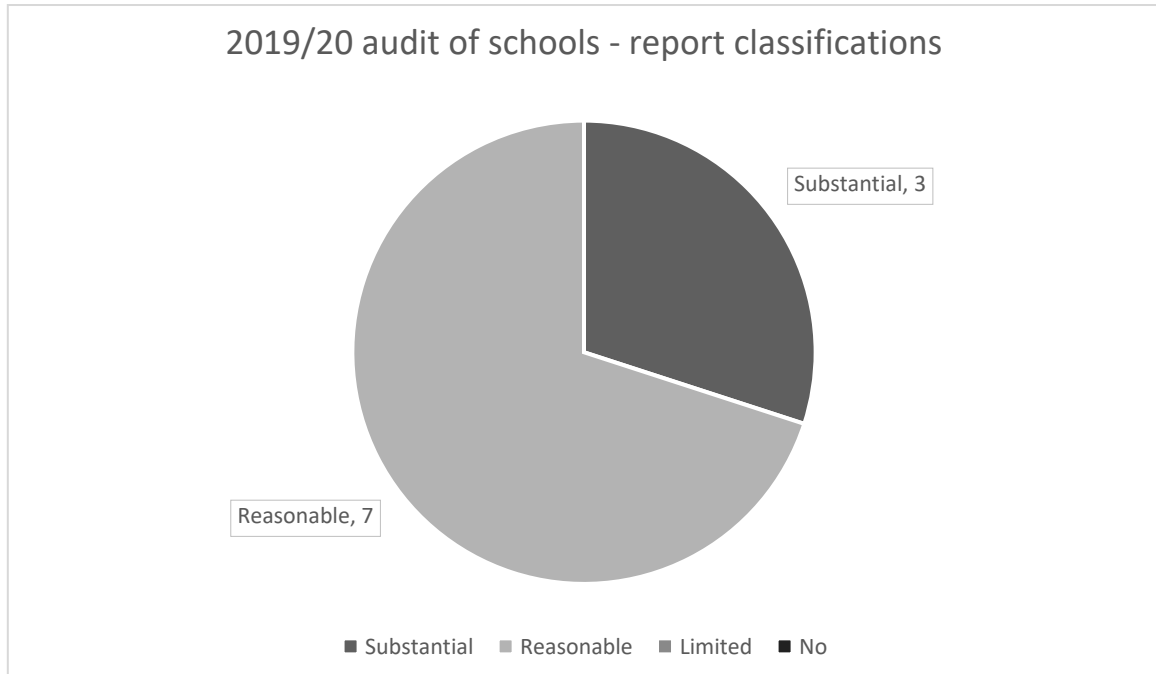
Schools within the Borough are audited on a risk basis. The audits of schools are fully outsourced to Mazars, one of the Council's internal audit co-source providers, following the initial Risk Assessment by the Head of Assurance.

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

The table below sets out the results of Mazars 2019/20 Internal Audit work auditing 10 schools:

School	Opinion	Number of findings			
		Critical	High	Medium	Low
Risk Assessment of Schools	n/a	n/a	n/a	n/a	n/a
General Schools follow up	n/a	n/a	n/a	n/a	n/a
All Saints Catholic Secondary	Reasonable	0	0	1	1
Becontree Primary School	Substantial	0	0	1	0
Dagenham Park Secondary School	Reasonable	0	0	2	0
Grafton Primary School	Reasonable	0	0	3	1
Hunters Hall Primary School	Reasonable	0	0	2	0

Jo Richardson Community School	Reasonable	0	0	1	2
Richard Alibon Primary School	Substantial	0	0	0	0
Ripple Primary School	Reasonable	0	0	1	1
Robert Clack Secondary School	Substantial	0	0	1	1
George Carey Primary School	Reasonable	0	0	2	1
TOTAL:		0	0	14	7



All school reports were rated as either “Substantial Assurance” or “Reasonable Assurance”. We issued no “No Assurance” or “Limited Assurance” reports in the year.

7. Internal Audit Performance

Purpose	Target	Performance & RAG Status	What it measures
Output Indicators (Efficiency)			
% of 2019/20 Audit Plan completed (Audits at draft report stage)	>25% by 30/09/19	26% - GREEN	Delivery measure
	>50% by 31/12/20	45% - AMBER	
	>80% by 31/03/20	61% - AMBER	
	100% by 31/05/20	100% - GREEN	
Meet standards of Public Sector Internal Audit Standards	Substantial assurance or above from annual review	Confirmed * - GREEN	Compliant with professional standards
Outcome Indicators (Effectiveness - Adding value)			
High Risk Recommendations not addressed within timescales	<5%	5% - GREEN	Delivery measure

Overall Client Satisfaction	> 85% satisfied or very satisfied over rolling 12-month period	100% - GREEN	Customer satisfaction
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* Internal Audit for 2019/20 was being provided by a combination of the in-house team, Mazars LLP and PwC LLP. All teams have confirmed ongoing compliance with the Public Sector Internal Audit Standards.

Quality and improvement programme

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

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

Plans are in place to further strengthen quality in 2019/20 particularly through further recruitment to the in-house team.

8. Appendices

1: Limitations inherent to the Internal Auditor's work

We have undertaken internal audit subject to the following limitations:

- **Internal control:** Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overruling controls and the occurrence of unforeseeable circumstances.
- **Future periods:** Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the following risks:
 - The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes.
 - The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

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

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

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

Opinion







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

2: Opinion types

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

Opinion	Indication of when this type of opinion may be given
Satisfactory	<ul style="list-style-type: none"> • A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and • None of the individual assignment reports have an overall report classification of either high or critical risk.
Generally satisfactory with some improvements required	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are not significant in aggregate to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are isolated to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk.
Major improvement required	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignments that are not pervasive to the system of internal control; and • A minority of the individual assignment reports may have an overall report classification of either high or critical risk.
Unsatisfactory	<ul style="list-style-type: none"> • High risk rated weaknesses identified in individual assignments that in aggregate are pervasive to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are pervasive to the system of internal control; and/or • More than a minority of the individual assignment reports have an overall report classification of either high or critical risk.
Disclaimer opinion	<ul style="list-style-type: none"> • An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either: <ul style="list-style-type: none"> - Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or - We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

3: Definition of risk categories and assurance levels

Risk rating	
Critical 	<p>Immediate and significant action required. A finding that could cause:</p> <ul style="list-style-type: none"> • Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (e.g. mass strike actions); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High 	<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"> • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or • High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or • Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or • Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or • Minor impact on the reputation of the organisation; or • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost.
Level of assurance	
Substantial 	<p>There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.</p>
Reasonable 	<p>An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.</p>

Limited ●	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
No ●	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.