

AUDIT & STANDARDS COMMITTEE

July 2021

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| Title: Internal Audit Annual Report 2020/21 | |
| Report of the Director of Law, Governance & HR | |
| Open Report | For Information |
| Wards Affected: None | Key Decision: No |
| Report Author: Christopher Martin, Head of Assurance | Contact Details: Tel: 020 8227 2174 E-mail: Christopher.Martin@lbbd.gov.uk |
| Accountable Strategic Leadership Director: Fiona Taylor, Director of Law, Governance & HR | |
| Summary This report outlines the Internal Audit work carried out for the year ended 31 March 2021. The Internal Audit annual report contains the Head of Assurance Opinion based on the work undertaken in the year. This is “generally satisfactory with some improvements required”. | |
| Recommendation(s) The Committee is recommended to note the contents of the report. | |
| Reason(s) To provide an Internal Audit Opinion on the Council's framework of governance, risk management and control that helps to evidence the effectiveness of systems as set out in the Annual Governance Statement. | |

1 Internal Audit Annual Report 2020/21

- 1.1 This report outlines the Internal Audit work carried out for the year ended 31 March 2021.
- 1.2 The report contains the Head of Assurance Opinion based on the work undertaken in the year. This is “*generally satisfactory with some improvements required*”. Some 2020/21 audit reports were still at draft report stage prior to publishing this report.
- 1.3 The Internal Audit Annual Report is set out at Appendix 1.

2 Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Solicitor

- 2.1 The Accounts and Audit (England) Regulations 2015 section require that: a relevant authority must ensure that it has a sound system of internal control which—facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.
- 2.2 Furthermore the Director of Finance has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 2.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against it. We will enhance our provision further by making best use of existing legislation, for example the Proceeds of Crime Act 2002, to ensure that funds are recovered, where possible by the Council.

3 Financial Implications

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

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

4 Other Implications

- 4.1 **Risk Management** – Internal Audit activity is risk-based and therefore supports effective risk management across the Council.
- 4.2 No other implications to report

Public Background Papers Used in the Preparation of the Report:

- None

List of appendices:

- Appendix 1: Internal Audit Annual Report 2020/21

Appendix 1: Internal Audit Annual Report 2020/21

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1. Introduction

This report outlines the work that Internal Audit have carried out for the year ended 31 March 2021.

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 2020/21 Internal Audit Plan, approved by the Audit and Standards Committee, included 50 audits, consisting of 39 risk and compliance audits, a risk assessment to determine 10 school audits and a project to follow-up prior year work in schools. 44 audits were delivered, consisting of 33 risk and compliance audits, 10 audits of schools following the 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 2020/21 Internal Audit service

The in-house team has consisted of two substantive posts, the Audit Manager who was new to post in March 2020 and a Principal Auditor working towards the Institute of Internal Auditors qualification. The Principal Auditor has been away on adoption leave for most of the year. The Head of Assurance is the Council's Chief Audit Executive and splits his time between Internal Audit, Counter Fraud, Insurance and Risk Management. Efforts were made during the year to appoint an additional Principal Auditor but no suitable candidates were found following the recruitment exercise.

The Internal Audit service continued to be supported throughout 2020/21 by Mazars through the Council's contract with LB Croydon and PwC via the contract with LB Barnet.

Internal Audit has remained independent of the business in 2020/21 and has had no direct operational responsibility or authority over any of the processes reviewed.

4. 2020/21 Internal Audit work conducted

The approved 2020/21 internal audit plan consisted of:

- 39 risk and compliance internal audits.
- 10 audits of schools following a risk assessment.
- 1 follow-up project of prior year work in schools.

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

- Remote Working & Ethical Hacking – added in Q1 due to the changing risk environment presented by the Covid-19 pandemic
- Data Privacy – added in Q1 due to the changing risk environment presented by the Covid-19 pandemic
- Covid-19 Spend Review – added in Q1 due to the changing risk environment presented by the Covid-19 pandemic
- IT Resilience – added in Q1 due to the changing risk environment presented by the Covid-19 pandemic
- Landlord Compliance Review – added in Q3 following request from Reside management. Funded by Reside with secondary assurance for LBBD.
- Early Help Service Review – added in Q3 following discussion with the Director of People and Resilience

The following twelve risk and compliance audits were deferred or cancelled as follows:

- CM2000 system – delayed system implementation. Deferred to 2021/22.
- Homelessness & Temporary Accommodation – Deferred to 2021/22 due to changing risk environment posed by Covid-19 pandemic.
- Over/Under Occupation – Deferred to 2021/22 due to changing risk environment posed by Covid-19 pandemic.
- Contact Centre – Deferred to 2021/22 due to changing risk environment posed by Covid-19 pandemic.
- Barking Market – Deferred to 2021/22 due to changing risk environment posed by Covid-19 pandemic.
- Body Worn Equipment – Deferred to 2021/22 due to changing risk environment posed by Covid-19 pandemic.
- Pupil Referral Unit – Deferred to 2021/22 due to changing risk environment posed by Covid-19 pandemic.
- Direct Payments Benchmarking – Pan London exercise deleted because of limited engagement from other Boroughs.
- Liberty Protection Safeguards – delayed legislation implementation. Deferred to later year.

- IT Resilience – merged with the scope of the Remote Working & Ethical Hacking audit to reduce impact on service management. Full scope maintained.
- Specialist Intervention Service – audit deferred to 2021/22 to allow a new Head of Service the opportunity to implement his planned control changes before review.
- Climate Change – audit deferred to 2021/22 to allow a new Head of Service the opportunity to implement his planned control changes before review.

There were also additional days added to the following audits during Q1 and Q2 to sufficiently cover the scope of work:

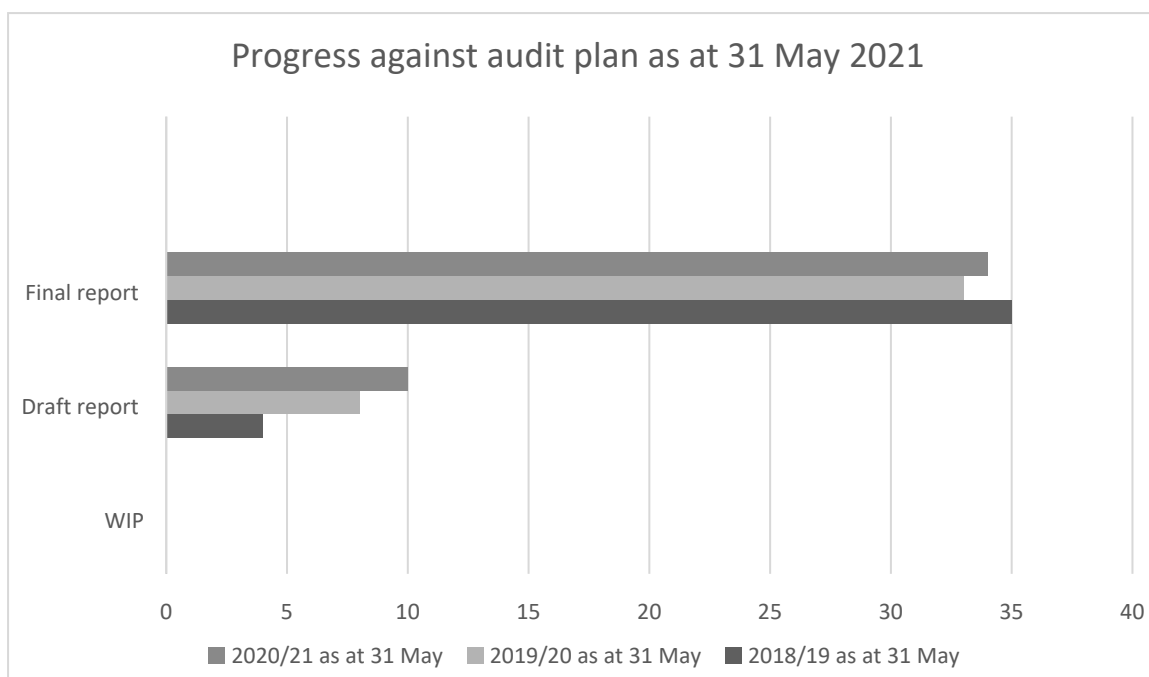
- Talent Link System
- LMS - post implementation review
- Climate Change
- Welfare Reform

5. Progress against audit plan

Of the remaining 44 audits (33 risk and compliance and 11 audits of schools), as at 31 March 2021, 4 were at draft report and 22 at final report stage with the remainder still work in progress. The total of 59% at report stage fell short of the target of 80%.

During April and May 2021, further progress was made in finalising draft reports meaning that, as at 31 May 2021, 10 were at draft report and 34 at final report stage. This met the target of 100% at report stage by this date. At the time of writing this report there remain 5 reports in draft format, none of which contain any findings material to the annual opinion.

| Progress Status | 2020/21 31 May 2021 | | 2019/20 31 May 2020 | | 2018/19 31 May 2019 | |
|------------------------|--------------------------------|-----|--------------------------------|-----|--------------------------------|-----|
| Final Report | 34 | 77% | 33 | 80% | 35 | 90% |
| Draft Report | 10 | 23% | 8 | 20% | 4 | 10% |
| WIP | 0 | 0% | 0 | 0% | 0 | 0% |
| TOTAL | 44 | | 41 | | 39 | |



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

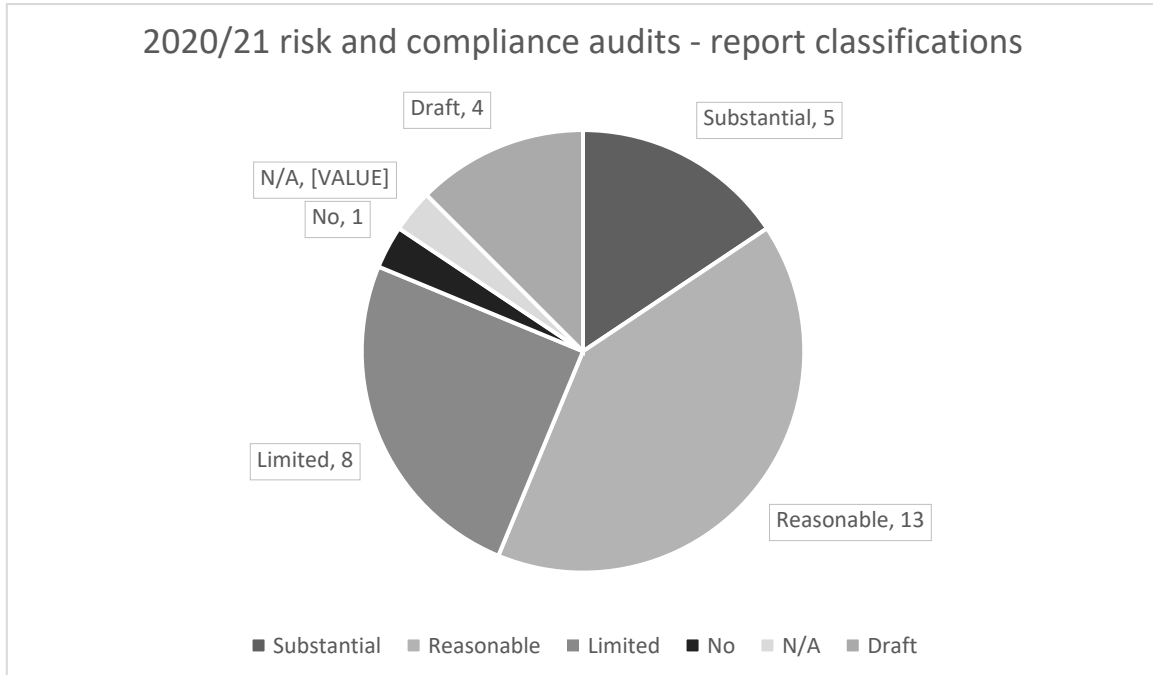
Internal Audit findings are categorised Critical, High, Medium and Low risk (or advisory) depending upon the impact of the associated risk attached to the recommendation.

Definitions of the ratings can be found at Appendix 3.

The table below sets out the results of our 33 risk and compliance 2020/21 internal audits:

| Audit | Opinion | Number of Findings | | | |
|----------------------------------|---------------|--------------------|------|--------|-----|
| | | Critical | High | Medium | Low |
| Welfare Reform | Substantial | 0 | 0 | 0 | 1 |
| Covid-19 Spend Review | Substantial | 0 | 0 | 0 | 0 |
| Risk in the Supply Chain | NA - Advisory | 0 | 0 | 0 | 0 |
| NNDR | Reasonable | 0 | 0 | 2 | 0 |
| Parking Permits | Reasonable | 0 | 0 | 1 | 1 |
| PCNs | Reasonable | 0 | 0 | 1 | 1 |
| New Parking System | Limited | 0 | 7 | 6 | 0 |
| Recruitment Governance & Vetting | Reasonable | 0 | 0 | 2 | 0 |

| | | | | | |
|---|-------------|----------|-----------|-----------|-----------|
| Talent Link System | Reasonable | 0 | 0 | 1 | 0 |
| Overtime Payments | Limited | 0 | 1 | 3 | 0 |
| Building Fire Safety | Reasonable | 0 | 0 | 2 | 0 |
| Tenant & Leaseholder Act Requirements (Sect 20) | Limited | 0 | 6 | 3 | 0 |
| LMS - post implementation review | Limited | 0 | 3 | 2 | 0 |
| Tenancy Data | Limited | 0 | 2 | 3 | 1 |
| Disability Related Expenditure | Reasonable | 0 | 0 | 4 | 0 |
| Special Guardianship Orders | Limited | 0 | 1 | 2 | 0 |
| Early Help Service Review | No | 0 | 3 | 0 | 0 |
| Information Security Part 2 | Limited | 0 | 1 | 3 | 0 |
| ERP System Replacement Procurement - Part 1 | Substantial | 0 | 0 | 0 | 0 |
| Data Privacy | Limited | 0 | 0 | 12 | 1 |
| Youth Offending Team | Reasonable | 0 | 0 | 1 | 2 |
| Adoptions Service | Reasonable | 0 | 0 | 1 | 1 |
| Addition Resource Provision Safeguarding | Draft | | | | |
| Education, Health and Care Plans | Reasonable | 0 | 0 | 1 | 1 |
| Rent Arrears | Substantial | 0 | 0 | 1 | 1 |
| Pensions Administration | Reasonable | 0 | 0 | 2 | 0 |
| Treasury Management | Substantial | 0 | 0 | 0 | 2 |
| Be First Governance | Draft | | | | |
| Transfer of Properties from BeFirst to Reside | Draft | | | | |
| Reside Compliance Review Work | Draft | | | | |
| Homelessness - Southwark Judgement | Reasonable | 0 | 0 | 1 | 1 |
| Remote Working Security & Resilience | Reasonable | 0 | 0 | 4 | 0 |
| | | | | | |
| Total | | 0 | 24 | 58 | 13 |



There were as many ‘No Assurance’ and ‘Limited Assurance’ reports issued in 2020/21 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 eight “Limited Assurance” and one “No Assurance” reports in the year as follows:

| Title | Summary of findings <i>and current progress to address reported high-risk findings</i> |
|---|---|
| <p>Targeted Early Help</p> <p>The objective of this audit was to determine an overall judgement of the level of assurance that Early Help services are safe, effective and in the best commissioned and operational arrangement to support the direction of travel of wider children’s services transformation and improvement in the journey to good.</p> | <p>This independent exercise had been requested by the Lead Member for Children’s Services supported by the Director of Children’s Services and Acting Chief Executive as part of a culture of robust oversight of risk management and a commitment to safeguarding vulnerable children and improving their outcomes. The review sat in a wider context of improvements needed to multi agency universal and early help services, including improvements in health visiting, portage, support in schools, MASH and especially in relation to the Ofsted recommended improvement area of childhood neglect and learning from local serious case reviews over the previous years.</p> <p>There were 3 high-risk findings:</p> <ul style="list-style-type: none"> • There is a fractured line of sight to the safety of children and management oversight is not consistently provided and, where it is, the quality is inconsistent. Assurances given by senior managers with operational responsibility and accountability for the TEH service are not in line with the performance information available to them. • At a service level the impact on improving children’s lived experience is minimal and partners (Education, Health, Children’s Care and Support) have concerns about the capacity, capability, and effectiveness of the TEH service. Partners (Education, Health, Children’s Care and Support) have concerns about the |

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| | <p>capacity, capability, and effectiveness of the TEH service and timescales are not promoting a culture of swift, decisive intervention.</p> <ul style="list-style-type: none"> • The service is not in the best commissioned and operational arrangement to support the direction of travel of wider children's services transformation and improvement in the journey to good. <p><i>An action plan in response to the report has been discussed and agreed with the Lead Member for Children's Services. Progress is reported monthly to the Corporate Assurance Group.</i></p> |
| <p>New Parking System</p> <p>The objective of this audit was to evaluate and report on the control design and test the operating effectiveness of key controls in place over the process of implementing the Imperial Parking System.</p> | <p>After an appropriate procurement process, an award was made to Imperial Civil Enforcement Solutions Limited to provide the new system for Penalty Charge Notices (3sixty) and Parking Permits (PermitSmarti) for the Borough.</p> <p>We identified seven high risk findings:</p> <ul style="list-style-type: none"> • There was a draft, incomplete contract in place with Imperial Civil Enforcement Solutions Limited. Implementing a system without a signed contract risks uncertainty, problems enforcing the terms and potential cost rises when making future changes. • The system went live without evidence of certified go-live criteria in place. Going-live without agreed criteria in place may result in unresolved defects, system failure and additional cost to rectify and update the system. Implemented • There is no documented procedure for amendments to master data, including the authority required, in place. Without clear guidance, there is a risk that unauthorised changes may not be identified. • Audit was informed that system changes can only be completed if the proposed change requests are approved by the Head of Parking, although there is no information about how a request should be instigated, processed or tested. • Disaster recovery, system resilience and recovery arrangements were not tested before go-live. There is a risk that in the event of a disaster, the Imperial System might not be able to be recovered in a timely manner and that the services that use the application will suffer prolonged delays which otherwise could have been avoided or minimised. • Backup requirements for the Imperial System are outlined in the Imperial Quality Questions Civil Enforcement System document provided by System Provider, but copies of recent backup logs and the last test restore result could not be provided. • A list of active LBBD users was provided but only for the 3Sixty System. There was no information made available how Imperial employees access 3Sixty and PermitSmarti. The use of generic accounts by more than one person is a direct violation of non-repudiation as the accounts could be used inappropriately and it would be difficult to trace activity to a specific user. Implemented <p>There were also six medium risk findings.</p> <p><i>Two of the high risk findings have been implemented and the remainder are currently subject to Internal Audit follow-up.</i></p> |

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| <p>Overtime Payments</p> <p>The objective of this audit was to evaluate and report on the control design and test the operating effectiveness of key controls in place over the process of claiming and paying overtime to staff.</p> | <p>Appropriate documentation and policies were found to be available for Managers and Staff on the Council's Intranet to assist in claiming appropriate overtime. Overtime claims are in the main submitted via the HR Portal System on the Intranet. Total corporate overtime payments by the Council for the year 2019/20 was £1.41m.</p> <p>We identified one high risk finding:</p> <ul style="list-style-type: none"> Whilst the Council's Flexible Working Policy and Summary of Enhanced Payments states that staff at PO7 and above are not entitled to TOIL or overtime payments for additional hours worked, it was established that some officers at PO7 or above had received such payments. <p>There were also three medium risk findings.</p> <p><i>All agreed actions have now been implemented.</i></p> |
| <p>Special Guardianship Orders</p> <p>The objective of this audit was to evaluate and report on the control design and test the operating effectiveness of key controls in place over the Council's administration of the Special Guardianship Order arrangements.</p> | <p>There are procedures in place for staff through the website and these were up to date. There is also a summary of the process to members of the public on the Council's website including the link to the document Information and guidance on Special Guardianship.</p> <p>Budget monitoring reports are produced by the Service Area Finance Business Partner and discussed with the Head of Service for Corporate Parenting and the Director of Operations Children's Care and Support. There are increasing overspends each year as the Special Guardian case numbers increase.</p> <p>The total payments made to all the Guardians for the year 2018/19 was £3,968,704 with a budget variance (overspend) of £427,874 and 2019/20 was £4,063,570 with a budget variance (overspend) of £1,112,880.</p> <p>Audit identified one high risk finding:</p> <ul style="list-style-type: none"> There was no evidence to confirm that the Controcc Liquid Logic System (payments approved) was reconciled to the Oracle Payment System (payments actually made). Where there is no reconciliation made there is an increased risk of inconsistencies, errors and uninformed decision making. <p>There were also two medium risk findings.</p> <p><i>All agreed actions have now been implemented.</i></p> |
| <p>Information Security</p> <p>The objective of this audit is to evaluate the control design and test the operating effectiveness of key controls in relation to Information Security.</p> | <p>The Data Protection Officer has created a template document titled as the 'Information Governance Assurance Tool' (focused on Training Awareness, Records Management, Security of Personal Data and Data sharing) but confirmed that this was yet to be rolled out and fully implemented as part of the existing control environment. It was advised that this assurance tool was first due to be sent to all departments in October 2020. The DPO is not therefore fully positioned to proactively identify gaps or improvement areas regarding records management or security of data.</p> <p>Audit identified one high risk finding:</p> <ul style="list-style-type: none"> In the absence of internal assurance mechanism in this area, LBBD significantly increases its risk exposure. In the absence of control and management information feeding through, any issues linked to obtaining, processing, holding and destruction of data |

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| | <p>may not be identified in a timely manner or at all, preventing appropriate actions from being taken.</p> <p>There were also three medium risk findings.</p> <p><i>Agreed action due for completion by July 2021.</i></p> |
| <p>Data Privacy</p> <p>The objective of this audit was to provide an independent data privacy review of the adequacy and effectiveness of controls relating to data protection</p> | <p>Our Review was based on the selected compliance areas from the Mazars Data Privacy Framework (DPF). The DPF has been developed by Mazars privacy experts and is based upon the Legal framework and authoritative basis aligned to Articles and Recitals of the GDPR and related privacy laws and Industry standards, such as ISO27701 and consensus of professional opinion. The selected compliance areas are as follows:</p> <ul style="list-style-type: none"> - Data Privacy Governance - Policies and Procedures - Data Mapping and ROPA - Fair and Lawful Processing - Individual Rights - Staff Awareness and Training - Data Breach - Information Security - Data Protection Impact Assessment - Third Party Compliance <p>Whilst there were no high risk findings, our review has provided an overall Limited Assurance for the adequacy and effectiveness of the Council's controls to mitigate the risks of non-compliance with the UK GDPR for the scope areas. We found a number of instances where key controls are insufficient to fully mitigate the specific risks and/or are not adequately documented to demonstrate the controls are in place.</p> <p>There were 12 medium risk findings relating to the following areas:</p> <ul style="list-style-type: none"> • The Council has not provided all required information within the General External Privacy Notice, as specified under Article 13 of the UK GDPR. • The Council has not provided all required information within the Internal Privacy Notice, as specified under Article 13, The Internal Privacy Notice does not contain all the required information under Article 13 and implies that consent is used as a lawful basis for processing staff personal data even though we were informed that this is not the case. • There is no documented process for the disposing of personal data within the Records Management Policy and the policy has not been reviewed within the last 12 months to ensure it remains adequate. • There is an absence of documented controls for the management of the Records of Processing Activities (ROPA), Legitimate Interest Assessments (LIAs), withdrawal of consent, third parties and a number of data subjects' rights. • The subject access request (SAR) procedure does not adequately cover all key elements related to the handling of SARs. • The Security Incident and Data Breach Policy does not provide guidance on the type of information that needs to be provided to data subjects and the Information Commissioner's Office (ICO) when a data breach occurs, where appropriate. |

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| | <p><i>Agreed actions due for completion by July 2021.</i></p> |
| <p>Tenant & Leaseholder Act (Section 20) Requirements</p> <p>The objective of this audit was to evaluate and report on the control design and test the operating effectiveness of key controls in place over the administration of Section 20 works planned or implemented.</p> | <p>Landlords are required to consult leaseholders before carrying out qualifying work or entering into a long-term agreement for providing services, and the regulations set out precise procedures for landlords to follow in relation to service charges. If landlords fail to follow correct procedure in the consultation process they may not be entitled to recover costs in relation to works, and may not be able to collect or recover service charges above the minimum amounts allowed by law. If this applies the landlord will be required to cover the financial loss.</p> <p>Audit identified six high risk findings:</p> <ul style="list-style-type: none"> • There were very limited comprehensive documented procedures for all the key functions and activities involving Section 20 related major works and long-term agreements. Implemented • It was clear from the Section 20 Consultation Flowchart – dated November 2018 – that there are multiple entities and departments involved in Section 20 related major works and long-term agreements, but there was no documented clarity in terms of their roles and responsibilities. Implemented • It was established that Direct Debits set up against invoices raised for major works repairs for Leaseholders are reviewed manually on an annual basis as the functionality for monitoring these is not in place in the new housing system. When new direct debits are set up the previous outstanding debts with failed direct debits are not taken into consideration. Rejected due to System Limitation • It was established that across the 2013 to 2018 financial years some amounts may have to be written off due to a lack of consultation or evidence of consultation with Leaseholders. • There is no key performance indicator for the recovery of debts relating to Section 20 major works. • Audit established that copies of final demands for historic works had been worded as “not a demand” and relied on the leaseholders’ reserve fund balances for payment of the contribution. However, the leaseholders’ reserve balances were not checked to ensure a sufficient balance to cover the cost and resulted in an unplanned deficit. <p>There were also three medium risk findings.</p> <p><i>Two of the high risk findings have been implemented and the remainder are currently subject to Internal Audit follow-up.</i></p> |
| <p>Open Housing System – Post Implementation Review</p> <p>The objective of this audit was to evaluate and report on the control design and test the operating effectiveness of key controls in place over the process of implementing the Open Housing</p> | <p>The option to upgrade to Capita Open Housing Suite system was approved and a contract agreement was executed in December 2017 with the system provider, Capita Business Service Ltd, for the implementation. However, due to the variation to the cost of implementation the start date was delayed until the issues were resolved with the system provider. This meant that the implementation that was originally planned to start in October 2017 did not commence in earnest until December 2017 - giving an initial ‘go live’ of June 2019 being put back to June 2020. The User Acceptance Testing and sign-off by all the Service Areas that use the system were well documented before the system went live in June 2020. Access to the system is through single sign-on hence secured.</p> <p>Audit identified six high risk findings:</p> |

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| <p>System.</p> | <ul style="list-style-type: none"> • Testing identified 22 generic user accounts. The use of generic accounts by more than one person is a direct violation of non-repudiation as the accounts could be used inappropriately and it would be difficult to trace activity to a specific user. Implemented • Testing identified 13 users with multiple accounts. Where user access reviews are not performed, there is an increased risk that inappropriate accounts on the application are not restricted or disabled in a timely manner and unauthorised access is more likely. Implemented • The system's data is hosted and managed by the Council. With the Council recently changing the Hosting Platform from Agilisys Private Cloud to Microsoft Public Cloud, the Business Continuity Plan should be re-written, the Disaster Recovery Plan recreated and both tested to understand effectiveness. <p>There were also two medium risk findings.</p> <p><i>Generic and duplicate user accounts have now been deleted. Remaining agreed action due for completion by September 2021.</i></p> |
| <p>Tenancy Data</p> <p>The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in relation to tenancy data.</p> | <p>At the start of the 2020/21 Financial Year, the Capita database was the core system through which the Council recorded key tenancy related data (such as rent details, information regarding tenants, repairs detail and any planned works at properties). However, on 24 June 2020, the Council migrated to a new system, Open Housing. The Open Housing system is provided by the same supplier and was procured as an upgrade (on the basis that support for the former database was to be withdrawn). A supporting document management system (Anite – also referred to as Northgate), continues to be used to save applicable evidence in respect of the activity recorded on Open Housing. This includes evidence such as tenancy agreements and other forms of legal documentation.</p> <p>Our testing identified two high risk findings:</p> <ul style="list-style-type: none"> • A number of new tenancies were sampled and tested for the capture and recording of appropriate data. A high proportion of exceptions were identified indicating that it is not possible to rely on the validity of data collated. We're just not capturing and recording of appropriate data. Exceptions included viewing packs, tenant checklists, tenancy agreements and profile information forms. There were additional compliance issues identified for Assignment, Use and Occupation, Mutual Exchange, and Transfer tenancies. • Some of the tenancy data that was held on the Open Housing system did not match the information held on the prime records, including things as fundamental as tenancy start date recorded did not match the date recorded on the tenancy agreement. There were no management checks being made to ensure that the information processed by officers was done correctly. <p>There were also three medium risk findings.</p> <p><i>All agreed actions have now been implemented.</i></p> |

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 30 June 2021, that have been reported, implemented, were outstanding and were beyond their due date:

| | Reported | Implemented | Outstanding | Beyond due date |
|---------------|----------|-------------|-------------|-----------------|
| 2019/20 | 34 | 32 | 2 | 2 |
| 2020/21 | 21 | 9 | 12 | 0 |
| Total: | 55 | 41 | 14 | 2 |

The progress in implementing the high-risk recommendations overdue as at 31 May 2021 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 random sample of 20 cases confirmed that only one had any evidence that the necessary charges had been filed on the Land Registry. | <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 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>In progress, expected completion July 2021: 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 was 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. The recruitment process is now underway.</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 | <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>In progress, expected completion July 2021: 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</p> |

| | | |
|--|---|--|
| <p>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>Consultation with Legal Services to continue. Agreed Date: 31 January 2020</p> | <p>Registry changes and closing cases. The recruitment process is now underway.</p> |
|--|---|--|

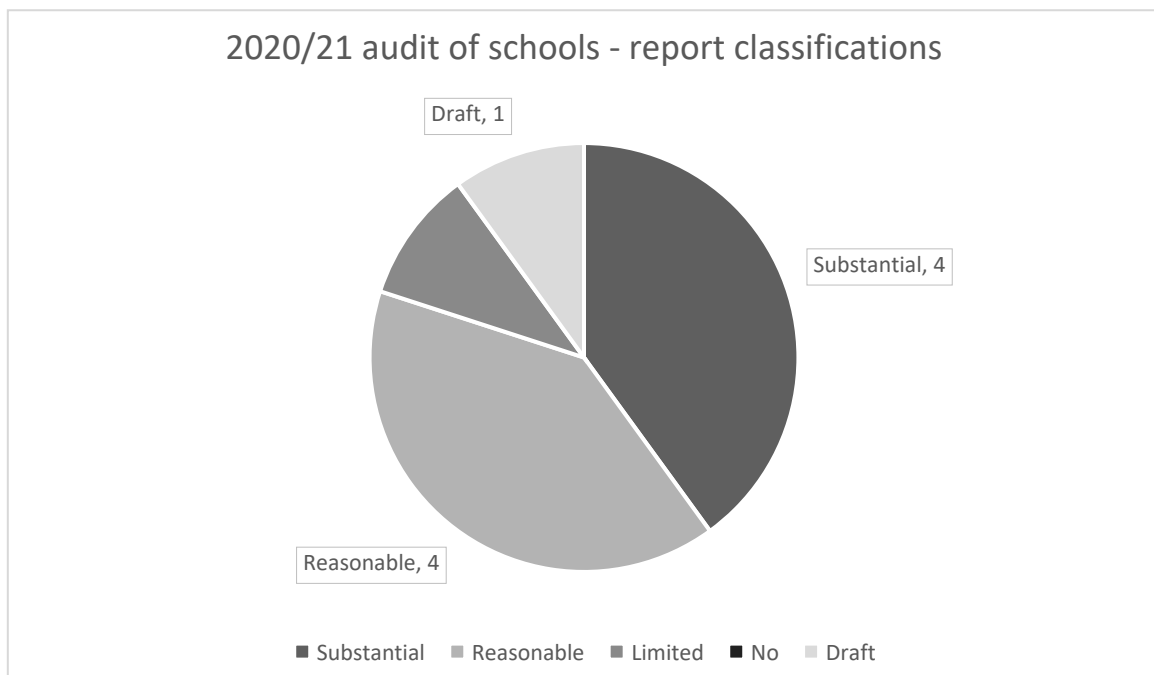
Audits of Schools

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 2020/21 Internal Audit work auditing 10 schools:

| School | Opinion | Number of findings | | | |
|-------------------------------------|-------------|--------------------|----------|-----------|-----------|
| | | Critical | High | Medium | Low |
| Rose Lane Primary | Draft | | | | |
| Beam Primary School | Substantial | 0 | 0 | 0 | 0 |
| Southwood Primary School | Substantial | 0 | 0 | 1 | 0 |
| Eastbury (all through) School | Reasonable | 0 | 0 | 4 | 1 |
| Leys Primary Schools | Substantial | 0 | 0 | 0 | 1 |
| Manor Infant School | Reasonable | 0 | 0 | 1 | 3 |
| Manor Junior School | Limited | 0 | 0 | 14 | 6 |
| Marsh Green Primary Schools | Reasonable | 0 | 0 | 5 | 1 |
| Monteagle Primary Schools | Reasonable | 0 | 0 | 1 | 5 |
| St Peter's Catholic Primary Schools | Substantial | 0 | 0 | 1 | 0 |
| Prior Year Follow-up Work | N/A | - | - | - | - |
| TOTAL: | | 0 | 0 | 27 | 17 |



We issued one “Limited Assurance” school report in the year as follows:

| Title | Summary of findings and current progress to address reported high-risk findings |
|--|---|
| <p>Manor Junior School</p> <p>The objective of this audit was to ensure that Manor Junior School has adequate and effective controls with regards to the financial management and governance of the school.</p> | <p>Whilst there were no critical or high risk findings, there were 14 medium risk findings and this represents a significantly larger number of findings than during similar work at other schools.</p> <p>The fourteen medium risk findings are as follows:</p> <ul style="list-style-type: none"> • Scheme of Delegation – The Scheme of Delegation approved in November 2020 does not outline authority for payroll amendments and overtime claims. • Clerk to the Resources Matters Committee – Minutes of the Resources Matters Committee are taken by the School Business Manager. • Financial Procedure Rules – The school continues to use the LA’s Scheme for Financing Schools (2013 Edition) which has not been subject to annual review • and approval. • Approval of the Three-Year Budget Plan – The budget plan was not approved by the Governing Body. • Budget Monitoring Statements – Inspection of budget monitoring statements for Periods 4 to 6 identified they have not been signed off for Period 4 and 5. • Retrospective Purchase Orders – Inspection of a sample of ten invoices found there are five cases of retrospective purchase orders that have been raised. • Bank Mandate – We were informed that the Bank Mandate was last updated in 2017. Copy of the document is not held at the school and was not made available • during the audit. • Lettings Policy – The Policy does not outline the schedule of rates and has not been approved by the Governing Body. • Dinner Money (Outstanding Debt) – Debt report as of 20 October 2020 identified the outstanding dinner money debt as £1,128.43. • Annual Full Inventory Check – Spot check of 5% items listed in the inventory is undertaken during the summer holidays. There is no full inventory check undertaken at the school. • Signing off Inventory Spot Check – Copy of the spot check undertaken in Summer 2020 has not been signed off. Further, it has not been presented to the • Governors. • Working Papers for Disposal of Assets – No working papers were available for one asset (projector) that was disposed during the year. • Loan Equipment Log – There is no independent log of loaned equipment other than the forms which are held on file. • Critical Incident Plan – Critical Incident Plan has not been presented to the Governors <p><i>Agreed actions due for completion by December 2021.</i></p> |

7. Internal Audit Performance

| Purpose | Target | Performance & RAG Status | What it measures |
|--|--|--------------------------|---------------------------------------|
| Output Indicators (Efficiency) | | | |
| % of 2020/21 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 |

* Internal Audit for 2020/21 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 2021/22 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 and agreed changes thereto. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and the Audit & Standards Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

2: Opinion types

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

| Opinion | Indication of when this type of opinion may be given |
|---|---|
| Satisfactory | <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. |