

AUDIT & STANDARDS COMMITTEE

30 January 2024

Title: Internal Audit Report 2023/24 Q3 (April to December 2023)	
Report of the Head of Assurance	
Open Report	For Information
Wards Affected: None	Key Decision: No
Report Author: Christopher Martin, Head of Assurance	Contact Details: Tel: (020) 8227 2174 E-mail: Christopher.Martin@lbbd.gov.uk
Accountable Strategic Leadership Director: Jo Moore - Strategic Director, Finance & Investments	
Summary: This report brings together all aspects of Internal Audit work undertaken to date during 2023/24. The report details audit progress and results to 31 December 2023 and includes details of the overdue high-risk recommendations outstanding and actions being taken by management to address these.	
Recommendation: The Audit & Standards Committee is asked to note the contents of the report.	

1. Risk and Compliance Audits 2023/24

- 1.1. The risk and compliance audit plan has had three new audits added to the plan since the start of the year with three being removed. There have also been days added to two audits to ensure appropriate depth of coverage. This is detailed in Section 1.
- 1.2. At the end of Q3, 33% of the plan of risk and compliance audits were at least at draft report stage. This falls short of the target for the end of Q3 which is for 50% of audits to be at draft stage but the plan as a whole remains on track for 100% delivery by the prescribed deadline.

2. School Audits 2023/24

- 2.1. An exercise has been undertaken to assess the schools in the Borough to inform a risk-based school audit plan and work is now underway against this plan.
- 2.2. The 55 days allocated to school audits has been split amongst 10 schools and the prior year follow-up work.
- 2.3. At the end of Q3, 50% of the school audits had been completed which meets the 50% target and the plan remains on track for 100% completion by March 2024.

3. Outcomes of the Internal Audit work

- 3.1. Seventeen draft reports have been issued since the start of the year, twelve from the risk and compliance plan and five schools. Seven of these have progressed to the final report stage with all of these being awarded either reasonable or substantial assurance opinions. It is however unlikely that all opinions issued as the year progresses will be so favourable.

4. Progress in implementation of Internal Audit recommendations as at 31 December 2023

- 4.1. Internal Audit tracks management progress in implementing all critical and high-risk findings by way of a chase up or follow up to the audit client accordingly.
- 4.2. There are 3 overdue high-risk findings as at 31 December 2023 (see appendix 1). There are no critical findings outstanding.

5. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Solicitor

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

6. Financial Implications

Implications completed by: Nish Popat, Deputy S151 Officer

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

7. Other Implications

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

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

9. Appendices

Appendix	Content
1	Internal Audit 2023/24 Q3 update
2	Revised Internal Audit Plan 2023/24

Appendix 1: Internal Audit 2023/24 Q3 update

1. Progress against Internal Audit plan 2023/24 as at 31 December 2023

Risk and Compliance audits

1.1. The following tables detail the changes to the 2023/24 audit plan made in the first three quarters of the year, April to December 2023:

Added	Removed	2023/24 audits as at end of Q3
3	3	36

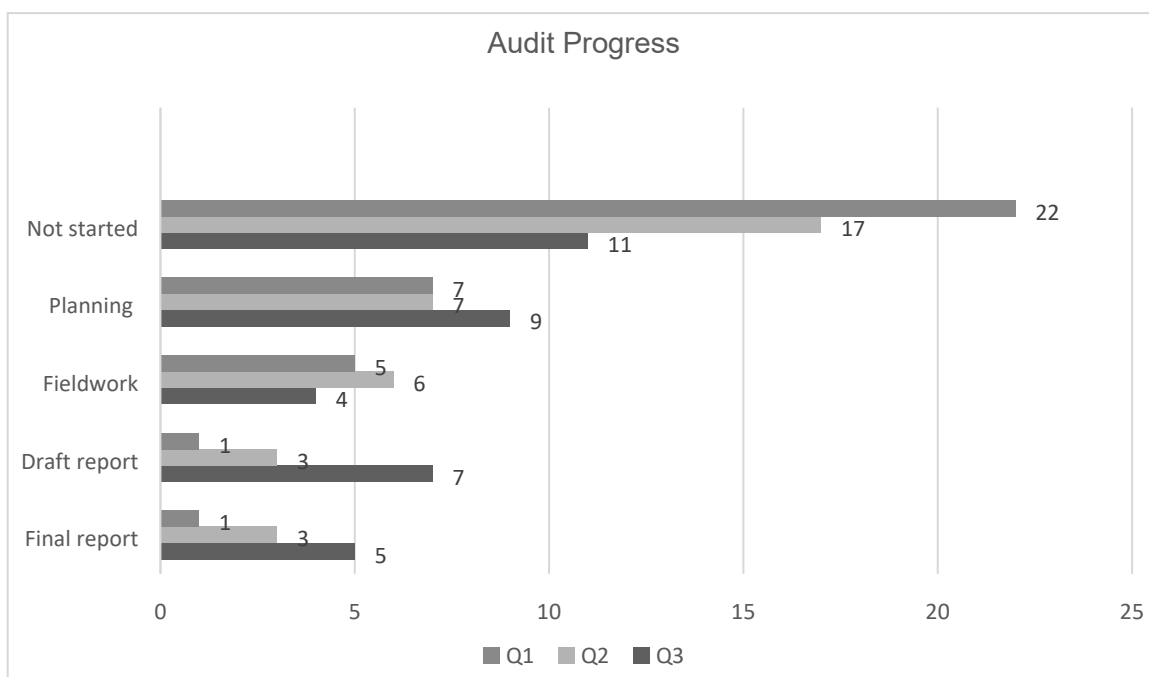
Audit title	Change	Rationale for change
Anonymous Recruitment	Added	Identified risk around recruitment processes
RSL Health & Safety Compliance	Added	Independent review of My Place progress against Regulator concerns
Domestic Violence Strategy	Added	Deferred from 2022/23
Environmental, Social and Governance	Deferred	Deferred to 2024/25 to allow sufficient time for policy development
Damp and Mould Compliance	Deferred	Deferred to 2024/25 given demands of Health & Safety Compliance audit
Fire Safety	Deleted	Risks covered within Health & Safety Compliance audit

The revised Internal Audit plan is detailed at Appendix 2.

1.2. The table and graph below indicate the progress made against the 2023/24 audit plan as at 31 December 2023.

Not started	Planning	Fieldwork	Draft report	Final report
11	9	4	7	5

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



1.3. All five audits that have reached the final report stage during 2023/24 so far were awarded either substantial or reasonable assurance audit opinions.

School Audits

1.4. In recent years the Head of Assurance has modified the approach taken to school audits such that they are now risk-based rather than cyclical in nature. A risk assessment has been undertaken to inform the school audit plan for 2023/24.

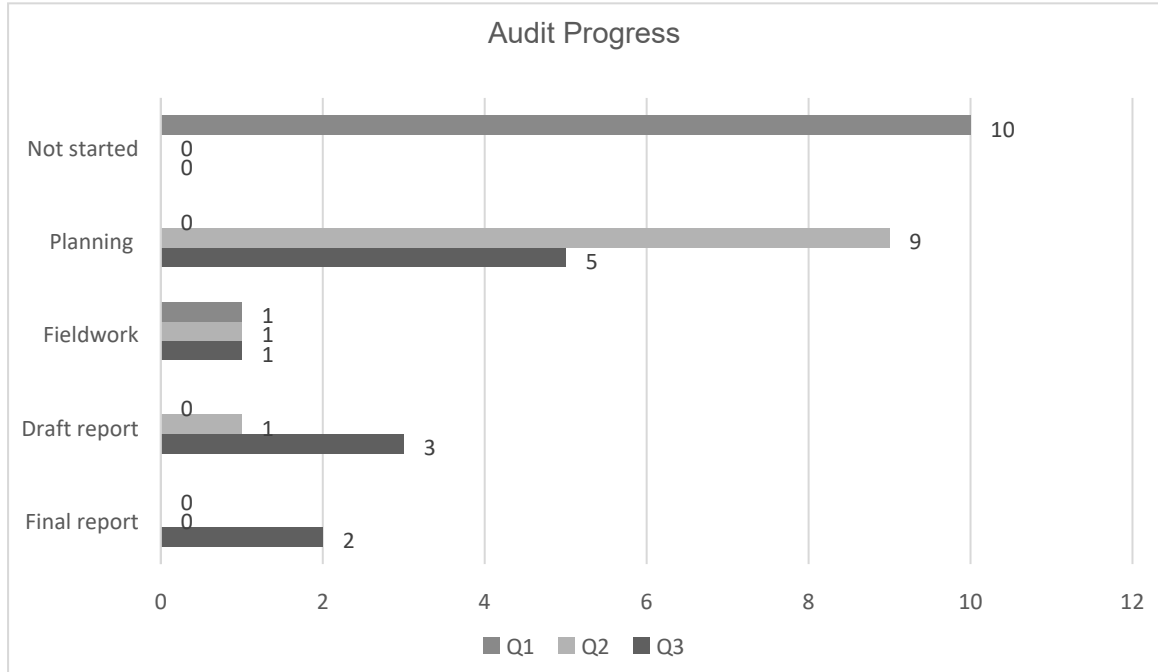
1.5. The following table details the allocation of the 55 school audit days for the year:

School	Days
Grafton Primary School	5
George Carey Church of England Primary School	5
Hunters Hall Primary School	5
Jo Richardson Community School	5
Ripple Primary School	5
Roding Primary School	5
Thomas Arnold Primary School	5
Robert Clack School	5
Becontree Primary School	5
Richard Alibon Primary School	5
Follow-ups	5
	55

The current Internal Audit plan is detailed at Appendix 2.

1.6. The table and graph below indicate the progress made against the 2023/24 schools audit plan as at 31 December 2023.

Not started	Planning	Fieldwork	Draft report	Final report
0	5	1	3	2



1.7. Both of the two audits that have reached the final report stage during 2023/24 so far were awarded either substantial or reasonable assurance opinions.

2. Progress in implementation of audit findings as at 31 December 2023

2.1. The table below summarises the high-risk findings, as at 31 December 2023, that have reported as final, been implemented, are outstanding and are beyond their due date:

	Reported	Implemented	Outstanding	Beyond due date
2019/20	34	34	0	0
2020/21	21	21	0	0
2021/22	29	28	1	1
2022/23	15	8	8	2
2023/24	4	0	4	0
Total:	103	91	13	3

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

Finding	Agreed Action	Latest progress as reported by management
2021/22 – AccuServ Repairs Management System – Limited Assurance		
<p>AccuServ is designed to have three interfaces - to Open Housing, BDMS's accounting system and their supplier of materials. Only one of these was in operation, the link to Open Housing.</p> <p>Due to limitations with Open Housing, the Council can supply repair data to AccuServ but Open Housing cannot receive updated data from AccuServ. This creates both inefficiency and inaccuracy as this requires manual entry of work done into the Council's system.</p>	<p>Management should undertake regular reconciliations between data sets and ensure that the final interfaces are implemented.</p> <p>Consider the benefits of enabling full integration between AccuServ and Open Housing.</p> <p>Original Date: September 2022</p>	<p>A copy of the reconciliation between data sets has been provided with exceptions identified and resolved.</p> <p>There is an ongoing discussion around the relative benefits of an integration from AccuServ to Open Housing. The current view is that the Council's needs around asset management may be better served by integrating to a data platform that can then pull data together from a variety of sources to better support the operational needs of My Place.</p> <p>Revised Date: Reviewed monthly</p>
2022/23 – Leasehold Management Service Charges – Limited Assurance		
<p><u>Debt Recovery Management</u></p> <p>There is currently no key performance indicator for the recovery of debts relating to Section 20 major works.</p>	<p>KPIs will be set to measure the level and value of debt recovery.</p> <p>KPI reports will then be produced on monthly basis for senior management.</p>	<p>The service has been unravelling what can be charged for some of the S.20 works carried out. As such no collection was made for the audit period. On accounts that can be</p>

	<p>Original Date: September 2023</p>	<p>recovered this is being collected through the reserve funds.</p> <p>The service has almost completed an exercise to identify the major works debt against the reserve fund so that the level of arrears can be determined.</p> <p>Revised Date: March 2024</p>
<p><u>Section 20B Notice Consultation</u></p> <p>No major works costs have been demanded from Leaseholders for at least three years and recent 1A1 and 1A2 Section 20B Notice costs received are currently being reviewed to ensure compliance with consultation requirements before billing the Leaseholders.</p>	<p>Review the consultation process and controls in place to ensure that consultations with Leaseholders are done before carrying out qualifying works or enters into a long-term agreement for the provision of services.</p> <p>All completed works and long-term agreement works that were signed off should be billed to Leaseholders in accordance with the schedule of billing in place.</p> <p>Original Date: September 2023</p>	<p>As above.</p> <p>Revised Date: March 2024</p>

3. Internal Audit performance as at 31 December 2023

Purpose	Target	Performance & RAG Status	What it measures
Output Indicators (Efficiency)			
% of 2023/24 Audit Plan completed (Audits at draft report stage)	>25% by 30/9/23	15% - RED	Delivery measure
	>50% by 31/12/23	36% - RED	
	>80% by 31/3/24	N/A	
	100% by 31/5/24	N/A	
Meet standards of Public Sector Internal Audit Standards	Substantial assurance or above from annual review	Confirmed * - GREEN	Compliant with professional standards
Outcome Indicators (Effectiveness - Adding value)			
High Risk Recs not addressed within timescale	<5%	14% - AMBER	Delivery measure
Overall Client Satisfaction	> 85% ratings excellent, good or adequate (i.e. not rated poor)	100% – GREEN	Customer satisfaction

*Internal Audit for 2023/24 is being provided by a combination of the in-house team, Mazars LLP and PwC LLP. All teams have evidenced ongoing compliance with the Public Sector Internal Audit Standards.

Appendix 2: Revised Internal Audit plan 2023/24 as at 31 December 2023

1.1. The Internal Audit plan 2023/24 was approved by the May 2023 Audit and Standards Committee.

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

Audit title	Status at 31 December 2023
Mayor's Charity Account	Final Report issued Q2 – Substantial Assurance
VAT	Final Report issued Q2 – Substantial Assurance
Social Value	Final Report issued Q2 – Substantial Assurance
BDMS Performance Plan	Final Report issued Q3 – N/A
Pensions Administration	Final Report issued Q3 – Reasonable Assurance
Planning and Building Control	Draft Report issued Q3
Gifts and Hospitality	Draft Report issued Q3
Cost of Living Crisis	Draft Report issued Q3
Payroll	Draft Report issued Q3
Council Tax	Draft Report issued Q3
NNDR	Draft Report issued Q3
Settlement Agreements	Draft Report issued Q3
Third Party IT Contracts	Work In Progress
Antivirus & Malware	Work In Progress
Anonymous Recruitment Process Review	Work In Progress
Health & Safety Team	Work In Progress
HRA Compliance Health Check	Work In Progress
Schools	
Robert Clack School	Final Report issued Q2 – Substantial Assurance
Richard Alibon School	Final Report issued Q3 – Reasonable Assurance
Ripple Primary School	Draft Report issued Q3
Roding Primary School	Draft Report issued Q3
Becontree Primary School	Draft Report issued Q3
School Follow-ups	Work in Progress

1.3. The audits planned for the remainder of 2023/24 are set out below. The plan details the draft audit title and draft audit objective:

Audit Title	Days	Focus of Scope
Finance & IT		
Systems Logical Access Review	15	Access controls for key systems
Identity & Access Management	15	Issuing and managing digital identities
General Ledger & Budgetary Control	15	Key Financial System – control design & effectiveness

Payment Card Industry Data Security Standard - PCIDSS	15	Retained risk
Inclusive Growth		
Accounts Payable	15	Key Financial System – control design & effectiveness
Law, Governance & Organisational Change		
Onboarding Process	15	Managers' use of system incorporating probation
Workforce Governance	15	Revised ways of working
Access To Work	10	Authorisation, approval and reclaim of costs
HR - Working Patterns	10	Management control over working patterns
Community Solutions		
Accounts Receivable	15	Key Financial System – control design & effectiveness
Community Hubs	10	As identified on risk registers
Development of Civil Society	15	Review of approach to corporate risk mitigation
My Place		
Housing Repairs & Maintenance	15	No Assurance in previous year
Commercial Rents	15	Setting and monitoring of rental income
Land & Building Valuations	15	Controls to ensure accurate and valid valuations
Housing Rent Setting & Adjustment	15	Setting of HRA rents
Asset Management	20	Discharge of responsibilities to maintain public assets
People and Resilience		
Special Education Needs & Disability	15	Focus on areas of improvement
Domestic Violence Strategy	15	Review of strategy impact
Schools		
Grafton Primary School	5	School probity review of whole business area
George Carey CE Primary School	5	School probity review of whole business area
Hunters Hall Primary	5	School probity review of whole business area
Jo Richardson Primary	5	School probity review of whole business area
Thomas Arnold Primary	5	School probity review of whole business area

