

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 16 th September 2021
SUBJECT:	Internal Audit Update Report To 31 July 2021
LEAD OFFICER:	Dave Phillips, Interim Head of Internal Audit
CABINET MEMBER:	Councillor Callton Young Cabinet Member for Resources and Financial Governance
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>Internal Audit's work helps the Council to improve its value for money by strengthening financial management and supporting risk management. Strengthening value for money is critical in improving the Council's ability to deliver services which, in turn helps the Council achieve all its visions and aims. The external auditor relies on the work from the internal audit programme when forming opinions and assessments of the Council's performance.</p>	
FINANCIAL IMPACT	
<p>The Internal Audit contract for 2021/22 is a fixed price contract of £372k and appropriate provision has been made within the budget for 2021/22.</p>	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the Internal Audit Report to 31 July 2021 (Appendix 1).

2. EXECUTIVE SUMMARY

- 2.1 This report details the work completed by Internal Audit so far during 2021/22 and the progress made in implementing recommendations from audits completed in previous years.

3. DETAIL

- 3.1 The Internal Audit report (Appendix 1) includes the following:
- a list of all audits completed so far in 2021/22, including audits relating to prior audit plans, but finalised after the start of the current year, and
 - lists of follow up audits completed and the percentage of priority one, and other audit recommendations implemented.
- 3.2 Internal Audit is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole Council, including Members and all levels of management. It is not an extension of, nor a substitute for, good management. The Internal Audit Service is responsible for giving assurance on all control arrangements to the Full Council through the General Purposes & Audit Committee and the Chief Financial Officer (also known as the Section 151 Officer). It also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.

4. FOLLOW-UP REVIEWS

- 4.1 When Internal Audit identifies risks, recommendations are made and agreed with service managers to mitigate these. The Council then needs to ensure that action is taken to implement audit recommendations. The Council's targets for audit recommendations implemented are 80% for all priority 2 and 3 recommendations and 90% for priority 1 recommendations. The performance in relation to the targets for 2016/17 to 2020/21 audits are shown Table 1.

Table 1: Implementation of Audit Recommendations

	Target	2016/17	2017/18	2018/19	2019/20	2020/21
Implementation of priority one recommendations at follow-up	90%	98%	100%	96%	90%	100%
Implementation of all recommendations at follow-up	80%	93%	94%	92%	90%	81%

5. PROGRESS AGAINST THE AUDIT PLAN

- 5.1 By 31 July 2021 **16%** (0% last year) of the 2021/20 planned audit days had been delivered and **4%** (0% last year) of the draft audit reports due for the year had been issued. Work on the 2020/21 internal audit plan is still ongoing, with **86%** of the 2020/21 planned audit days delivered and **59%** of the of the draft audit reports due for the year had been issued. It should be noted that all 2020/21 audits are started, with most nearing completion or being under management review. As reported in previous internal audit update reports, although the contractor had given assurances that the necessary resources were available to deliver the internal audit plan in-year, due to the organisation

not having the capacity to support a greater level of internal audit activity, the plan was not on time. The delays, also previously reported, having been caused by a number of factors, principle of which was the furloughing of our audit contractor's staff for around three months at the start of the year because of the COVID-19 pandemic.

6. FINALISED INTERNAL AUDIT REPORTS

6.1 All finalised internal audit reports are published on the Council's public internet site and these can be found at:

<https://www.croydon.gov.uk/democracy/budgets/internal-audit-reports/introduction>

6.2 In addition, the tables below set out the priority 1 and 2 issues identified at each audit finalised since the last update report to this committee. (Please note that, although some of these audits were included in the annual Head of Internal Audit Report in July 2021, these have been included here as the Committee would not have seen the breakdown of the priority 1 and 2 issues for these.)

6.3

Creditors (including P2P) (Limited Assurance)
<p>Priority 1 Issues</p> <ul style="list-style-type: none"> • The orders for 5 of the sample of 17 transactions tested were raised either after delivery or after the invoice date. • The goods or services received check for four of the 17 transactions sampled preceded actual delivery. • The invoices for five of the sample of 17 transactions tested included client names (including children in care) thus potentially breaching the Data Protection Act 2018. • As at 28 September 2020 the Council had invoices totalling £25,757,492 on hold, of which £7,220,978 related to previous financial years (i.e. 2019/20 and prior) with oldest invoice on hold dating 8 May 2014.
<p>Priority 2 Issues</p> <ul style="list-style-type: none"> • Although 'Vacation Rules' (which allow those officers with delegated approval on Oracle to transfer their limits to other officers during a period of absence) were enabled, these were not being monitored to detect instances where these allowed the Council's Scheme of Delegation to be bypassed. • Examination of the Accounts Payable system records for a sample of five leavers (who were able to authorise orders), found an instance where the account of the leaver who was an interim member of staff had not been disabled. There was no evidence of approval of orders post them leaving. • Examination of the records for a sample of five newly set up authorised signatories, found that in one instance a signed 'Authorised Signatory' form was not available • Five instances were noted where multiple rather than single orders had been raised, (which may result in delegation limits being avoided and increases the risk of duplicate orders being raised.)

- It was confirmed that the Council, in line with the Local Government Transparency Code, regularly publishes its expenditure over £500; however, it was not clear whether this included procurement card spend. The last procurement card expenditure published on the Council's website at the time of our internal audit related to 2017/18 (this included 194 transactions exceeding £500).
- Examination of the documentation retained for a sample of 17 transactions identified that for four of these the order narration was not as detailed as it should have been.
- Examination of the documentation retained for a sample of 17 transactions identified that six of these were not paid within 30 days and none of the six were evidenced as disputed.

6.4

Financial Assessments – Charging Policy (Limited Assurance)

Priority 1 Issues

- Five of the sample of ten financial assessments sampled had not been completed in a timely manner.
- Five of the sample of ten financial assessments sampled were only requested after care had commenced and three, although requested prior to care commencing, were only completed after the care had commenced.

Priority 2 Issues

- One of the two appeal reviews sampled was not completed within the 28 days specified in the 'Adult Social Care Policy - Charging for Adult Social Care'.
- Four of the sample of ten financial re-assessments sampled were not completed in a timely manner.
- Examination of the documentation held for a sample of ten re-assessments found that two clients had not been notified of the changes in charges.

6.5

Freedom of Information and Subject Access Requests (Limited Assurance)

Priority 1 Issue

- FOI requests were not being responded to within the 20 working day statutory timeframe, with the percentage of FOI requests responded to within 20 days varying between 49% in November 2019 and 83% in December 2019.

No Priority 2 Issues

6.6

Agency Staff – Tenure and Monitoring (Substantial Assurance)
No Priority 1 Issues
Priority 2 Issues <ul style="list-style-type: none">• While agency challenge sessions were held in November / December 2019, and further sessions were planned for March / April 2020 no ongoing sessions thereafter were yet agreed.

6.7

Staff Expenses - Compliance Checks (No Assurance)
Priority 1 Issues <ul style="list-style-type: none">• Compulsory Car User Forms were not located for 11 of the sample of 15 staff on the car allowance scheme tested.• Testing of a sample of 30 approved expense claims found that nine of these should not have been approved (seven where appropriate supporting documentation was not provided, one for a parking fine and one for membership) and that nine of these had been incorrectly categorised.• Analysis of a report of expenses claimed identified 12 instances where overpayment had occurred as a result of duplicate expense claims.• Analysis of a report of expenses claimed identified that 240 expense items were authorised outside of the 90 days eligibility timeframe as defined by Expenses Management Policy. Furthermore, the required director written approval was not available for 14 out the sample of 15 (out of a total of 105) expense items submitted more than 60 days (and less than 90 days) after the expense being incurred.
Priority 2 Issue <ul style="list-style-type: none">• Analysis of a report of expenses claimed identified that 32 of these were approved more than 30 days after having being submitted.

6.8

Payments to Schools (Limited Assurance)
Priority 1 Issue <ul style="list-style-type: none">• Although statutory guidance issued by the Secretary of State requires that School deficits are cleared in 3 years and do not continue indefinitely, four (out of six) of the licensed deficits in 2020/21 were agreed for schools which did not plan for their deficits to be eliminated within 3 years as required.
Priority 2 Issue <ul style="list-style-type: none">• The MyResources control reports for a sample of 6 payment file interfaces, (i.e. both the 'School & VAT' and 'PVI' reports for November and December 2020 and January 2021) found failures each month in the 'School & VAT' reports.

6.9

Overtime Payments (Limited Assurance)
No Priority 1 Issues
Priority 2 Issues <ul style="list-style-type: none">• Although the Staff Handbook detailed the rules and guidance on overtime (or additional hours), this was incomplete and not all in one location.• Testing of a sample of 20 overtime claim forms identified a staff member on flexible retirement being paid overtime which is specifically forbidden in the Staff Handbook.• Payroll staff were not able to confirm whether staff working on average more than 48 hours a week had formally agreed to work beyond the 48 hours week and were not able to provide a record of the hours worked for each employee for each reference period in line with the requirements of the Working Time Directive 1998.• Where overtime claim forms were submitted without a cost centre, the cost code of the unit that the staff were employed against would be charged instead of the forms being sent back to be properly completed.• Sample testing identified some instances where overtime claims, which had not been appropriately approved, had been processed.

6.10

Clinical Governance (Limited Assurance)
Priority 1 Issues <ul style="list-style-type: none">• There was no evidence of an overall clinical governance policy being in place for the Council and consequently the clinical governance framework and systems in place were unclear.• Examination of the contracts for a sample of three contractors providing clinical services (from the list provided of 15 outsourced clinical services) confirmed that reference to clinical governance arrangements and monitoring was to varying degrees. In addition, all three of the contracts had expired.
Priority 2 Issues <ul style="list-style-type: none">• The last S75 Partnership Board meeting to discuss performance, quality, clinical audit and clinical governance issues was held on 3 September 2020. Furthermore, neither of the S75 Partnership Board meetings examined for 25 June and 3 September 2020 included an agenda item for clinical governance.• A local clinical governance risk register was not in place, although the Council did have access to the Croydon Health Integrated Safeguarding Team (CHSIT) risk register and was provided with monthly updates.• Although copies of the 'CCG Serious Incident Management Guide' and the CCG 'Serious Incident Management - Policy and Procedure' were provided, no such documents for the Council were made available.• There was no evidence of any clinical governance reports to the Health and

Wellbeing Board in the last 12 months. Health and wellbeing boards (HWBs) are statutory bodies created under the Health and Care Act 2012.

6.11

Public Health Contracts Management – Sexual Health (Limited Assurance)

No Priority 1 Issues

- Whilst Sexual Health services are being delivered in the borough, a signed electronic copy of the Section 75 Agreement with CHS to provide an integrated sexual health service was not held, although an electronic unsigned copy of the contract was provided. The contract also expired on 31 March 2021, following completion of the two year extension term and no evidence of a subsequent contract being in place was provided.
- The Lead Commissioner – Public Health & Prevention confirmed that signed electronic copies of contracts with the 45 GP surgeries and pharmacies to provide support within the community were not held, although electronic copies of the templates for a chlamydia screening contract and a LARC contract and an enhanced sexual health contract were provided.
- Evidence of monitoring against the performance indicators in integrated sexual health service was limited to minutes of S75 Partnership Board meetings held in June and September 2020 and an e-mail dated September 2020 titled 'S75 & KPI reporting' which only provided monthly 'kit' requests and did not fully reflect the key service outcomes within the contract. No evidence of monitoring of the chlamydia screening, LARC or enhanced sexual health contracts was provided.
- Management confirmed that there was monitoring of the budget and service usage, but while we were provided with details of summary sexual health charges for both Croydon and 'Out of Area' providers for 2020/21, this did not include any budget details. A Sexual Health tracker is also maintained, to help monitor services (i.e. LARC, ESH and Chlamydia services) provided by and payments made to the GP surgeries and pharmacies.

Priority 2 Issues

- Examination of the Sexual Health Transformation Plan developed in 2019/20 identified that key milestones were outstanding and evidence of recent review of the plan was not evident.
- Evidence provided confirmed that user feedback was obtained in October 2019 via google reviews, which led to a business case to implement a phone querying system. However, no evidence of more recent user feedback being obtained was provided.
- A copy of the 'Funding Arrangements between Croydon Council & Croydon NHS 2020/2021' being agreed by the Council's (then) Director of Finance Investment and Risk (Section 151 Officer) was obtained, but this was dated 11 December 2020, eight months after the 31 March (each year) deadline specified in the Section 75 agreement. A similar notification for 2021/22 was not provided (at the time of audit in April 2021) and therefore assurance of the 2021/22 deadline being met cannot be provided.

6.12

Temporary Accommodation: Standards in Private Sector (Limited Assurance)
<p>Priority 1 Issue</p> <ul style="list-style-type: none">• Electrical, gas and energy certificates were not located for some of the sample of Croybond properties and most of the sample of Croylease properties checked.• Decent Homes Inspection' reports were not available for eight of the sample of 15 property records checked.
<p>Priority 2 Issues</p> <ul style="list-style-type: none">• Formal work related training was generally not provided (and there was no systematic record of formal staff training), and there was a lack of clear documented guidance / procedure notes.• Examination of the records held for a sample of five GRS, five Croybond Scheme and five PSL properties identified that copies (or evidence of checks) of building insurance (covering boilers) was not retained for any of the properties.• Whilst the Housing Initiatives Officers confirmed that they would check a landlord had a private rented property licence, either by asking for a copy of the license or by checking against the Council's internal records, no record of these checks has been made in the case files for any of the properties examined in testing.• Discussion with the Housing Initiatives Officer and the Head of Temporary Accommodation established that the Council does not have any direct controls against taking on landlords with past criminal convictions and landlord checks with other local authorities for out of borough properties were not conducted.

6.13

Overtime Payments – Parking Services (Limited Assurance)
<p>Priority 1 Issues</p> <ul style="list-style-type: none">• Parking Services staff eligibility for overtime was being determined based on the number of penalty charges notices (PCNs) issued, in breach of statutory guidance.• The Enforcement Manager had authorised 101 hours of overtime for his brother in March 2020.• Analysis of the overtime paid forms between 1 January and 31 August 2020 identified 10 Parking Services staff who had on average worked more than 48 hours a week for the period. This is not in line with the Staff Handbook, which requires that staff only work more than 48 hours a week for a limited period of time and on an exceptional basis.
<p>Priority 2 Issues</p> <ul style="list-style-type: none">• It is held that the shifts / normal working hours are not optimally arranged to

minimise the need for overtime.

- Required director approval was not available for overtime claimed by the Enforcement Manager, (a grade 15 employee) in March 2020.
- Although staff working more than 48 hours a week had formally opted out of the 48-hour restriction, this record was locally retained and had not been shared centrally.

6.14

SEN Transport- Safeguarding (Limited Assurance)

Priority 1 Issues

- The 'Application Form: Home to School Travel Assistance (for ages 5-16)' although obtaining consent to process the personal data of the parent/carer and child did not also obtain consent for the processing of the personal data of the emergency contact.
- Examination of a sample of ten contracts found that seven had not been evidenced as signed or dated, two contracts were signed but had not been dated and one contract could not be located on SharePoint.

Priority 2 Issues

- Examination of a sample of 15 processed application forms found that in two instances acknowledgement and confirmation that the applicant had read the 'Home to School Travel Assistance Policy' was not evident.
- Examination of the staff records supplied by the passenger transport contractors for a sample of ten vehicles (being ten drivers and seven passenger assistants) found that three of the DBS checks were older than three years old contrary to Council policy.

6.15

Cyber Security (Limited Assurance)

Priority 1 Issue

- The Council had not undertaken recent penetration testing across the network and infrastructures. Such testing is commonly undertaken by the Council's peers at least annually and more frequently if significant changes are proposed to the IT environment.

Priority 2 Issues

- Compared with local government peers, the Council has insufficient resources dedicated to the execution of cyber/information security responsibilities. Currently the Council has one dedicated member of staff compared with many other organisations having at least three or four team members.
- Cyber/Information Security awareness reminders and notifications are issued via Council newsletters and emails but these tend to be unstructured and not necessarily formally scheduled on a regular basis. This is exacerbated by the lack of a Cyber Security awareness training programme although the Digital Security Officer was in the process of developing a programme during our

audit.

- Many organisations including those in local government have or plan to undertake regular 'phishing' exercises, however, the Council has not undertaken or have plans to do the same.
- The Council is reliant on Capita as an IT service provider and thus is also reliant on this service provider for the effective management of related cyber security risks. However, the Council was unable to obtain evidence of some of the controls that Capita have implemented to manage such risks.
- Privileged/administrator-based accounts across infrastructures have been reviewed in the past including most recently Active Directory Domain Admin reviews in March 2020 and Azure and Office365 admin reviews in August 2020. However, these are neither formally scheduled to occur at pre-determined frequencies nor undertaken regularly enough.
- There is no timeframe defined in any policy/documentation which triggers firewall rules which are no longer needed to be disabled or removed.

6.16

Corporate Estate – Building Compliance (Substantial Assurance)
No Priority 1 Issues
Priority 2 Issues <ul style="list-style-type: none">• The Technical and Statutory Compliance Manual was still in draft and the Fire Safety Policy, due for an update on 8 January 2021, had not yet been updated at the time of internal audit in March 2021.• Comparison of the number of sites included on the fixed assets register to the 'PPM Master Planner' found a difference of 57 sites between the documents. The fixed assets register also did not take into consideration depreciation or asset life and did not separately specify items such as carbon monoxide alarms, instead including these as part of fire alarms.• Examination of the records for a sample of 10 sites found that the fire risk assessments for five of the sites were dated 2016 or earlier. Although discussion established that these were annually reviewed, these reviews were not evidenced.• It was explained that the Technical Compliance Team conduct a 10% audit of health and safety inspections conducted by internally and/or by contractors, however no records or log of these audit inspections was retained.• Examination of the records on TF Cloud and SharePoint for a sample of 10 remedial works found that in five instances records, although held on SharePoint, were not stored on TF Cloud.

6.17

Thomas More Catholic School (Limited Assurance)
Priority 1 Issue <ul style="list-style-type: none">• The School did not have a plan to eliminate its deficit within three years as required by the Croydon Scheme for Financing Schools.

Priority 2 Issues

- The School's 2019/20 completed SFVS self-assessment was not formally agreed by the full Governing Body as required prior to being submitted to the Council. It was also submitted after the Council's set deadline.
- The School's 2020/21 budget plan was not formally agreed by the full Governing Body as required prior to being submitted to the Council. It was also submitted after the Council's set deadline.
- Inspection of the School's Single Central Record found that for 18 individuals the Disclosure Barring Service checks (DBS's) had not been renewed for over three years.
- The Headteacher's appraisal did not take place prior to 31 December 2020 as required, having taken place 23 February 2021.
- Sample testing of 15 payments from the last 6 months found that a Purchase Order was not evidenced for four of the purchases.
- Confirmation from the bank of the School's authorised signatories was not available at the time of audit, although the School has subsequently obtained confirmation of these from the bank.
- A document retention policy, required for compliance with the General Data Protection Regulations, was not held by the School.
- Although a copy of the Schools private fund financial statements for the year ended 31 March 2020 were provided at the time of Internal Audit, there was no evidence of these being independently audited or presented to the full Governing Body.

6.18

Selsdon Primary School (Substantial Assurance)**No Priority 1 Issues****Priority 2 Issues**

- A checklist of the various responsibilities and duties under current health and safety legislation (as these relate to the maintenance, statutory compliance and repair upkeep of school buildings) was reviewed as part of the audit. Whilst it was evidenced through completion of the checklist by the School that a good overall level of compliance was reported, some gaps were noted.

6.19

Purley Oaks Primary School (Substantial Assurance)**No Priority 1 Issues**

- Examination of the School's Single Central Record found that for two individuals the Disclosure Barring Service checks (DBS's) were dated over three years ago contrary to Council policy.
- Examination of the personnel files for a sample of three recent starters found that for one of these only one reference had been obtained.

- Examination of the 'designated safeguarding lead' training certificates for the designated safeguarding lead and deputies identified that the certificates for two of the deputies were dated over two years ago.
- A checklist of the various responsibilities and duties under current health and safety legislation (as these relate to the maintenance, statutory compliance and repair upkeep of school buildings) was reviewed as part of the audit. Review of the completion of the checklist noted some gaps in compliance were reported.

6.20

Smitham Primary School (Substantial Assurance)
No Priority 1 Issues
<p>Priority 2 Issues</p> <ul style="list-style-type: none"> • Examination of a sample of 15 purchase orders found three of these were dated after the corresponding invoices. • Examination of the documentation held for a sample of 15 transactions found that for seven of these a goods or services received check was not evidenced. • A checklist of the various responsibilities and duties under current health and safety legislation (as these relate to the maintenance, statutory compliance and repair upkeep of school buildings) was reviewed as part of the audit. Whilst it was evidenced through completion of the checklist by the School that a good overall level of compliance was reported, some gaps were noted.

6.21

St Giles School (Substantial Assurance)
No Priority 1 Issues
<p>Priority 2 Issues</p> <ul style="list-style-type: none"> • Sample testing of 15 transactions identified four instances where expense claims where 'relevant budget holder' authorisation was either not evidenced or was also the requesting employee.

6.22

St Nicholas Primary School (Substantial Assurance)
No Priority 1 Issues
<p>Priority 2 Issues</p> <ul style="list-style-type: none"> • Monthly budget monitoring was not being conducted • Sample testing of 15 transactions from the last 12 months found that four of the invoices were dated in advance of the corresponding purchase orders. • Testing of a sample of 15 transactions identified one transaction where payment was being made to an individual for services. Although an HMRC

IR35 form had been completed for this, the School had incorrectly filled it out.

6.5

Red Gates School (Substantial Assurance)
Priority 1 Issue <ul style="list-style-type: none">• Sample testing of 15 transactions found that eight of the invoices were not evidenced as authorised.
Priority 2 Issues <ul style="list-style-type: none">• The School's Finance Policy, which includes the scheme of financial delegation, had not been reviewed in the last 12 months by the Full Governing Body, as required by School Governance (Roles, Procedures and Allowances) (England) Regulations 2013.

7. CONSULTATION

- 7.1 The outcome of all audit work is discussed and agreed with the lead service managers. The final reports and audit recommendations are sent for consideration by Departmental Leadership Teams (DLT). Details are circulated and discussed with Directors on a regular basis.

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 8.1 The fixed price for the Internal Audit Contract is £372k for 2021/22 and there is adequate provision within the budget. The Finance team will need to ensure recommendations flagged by the internal audit are implemented to build a robust and efficient finance function.
- 8.2 Internal Audit's planning methodology is based on risk assessments that include using the Council risk registers processes.

(Approved by: Nish Papat, Interim Head of Corporate Finance)

9. LEGAL CONSIDERATIONS

- 9.1 The Head of Litigation and Corporate Law comments on behalf of the interim Director of Law and Governance that information provided in this report is necessary to demonstrate the Council's compliance with requirements imposed by Regulation 5 of the Local Government Accounts and Audit (England) Regulations 2015. The Council is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law for and on behalf of the

interim Director of Law and Governance and Deputy Monitoring Officer)

10. HUMAN RESOURCES IMPACT

- 10.1 There are no immediate human resources issues arising from this report for LBC employees or staff. Where issues impact on employee terms and conditions of employment, these will be considered through the Council's relevant policies and procedures and in consultation with the trade unions.

(Approved by: Gillian Bevan, Head of HR, Resources)

11. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS

- 11.1 When Internal Audit is developing the Annual Audit Plan or individual audit programmes the impacts of the issues above are considered depending on the nature of the area of service being reviewed. Issues relating to these impacts would be reflected in the audit reports and recommendations.

12. DATA PROTECTION IMPLICATIONS

- 12.1. **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

No.

- 12.2. There are no immediate data protection issues arising from this report.

CONTACT OFFICER: Dave Phillips, Interim Head of Internal Audit

BACKGROUND DOCUMENTS: Internal Audit report for the period to 31 July 2021
(appendix 1)