

# **Internal Audit and Anti-Fraud Progress Report 2024-25**

# 1. Background

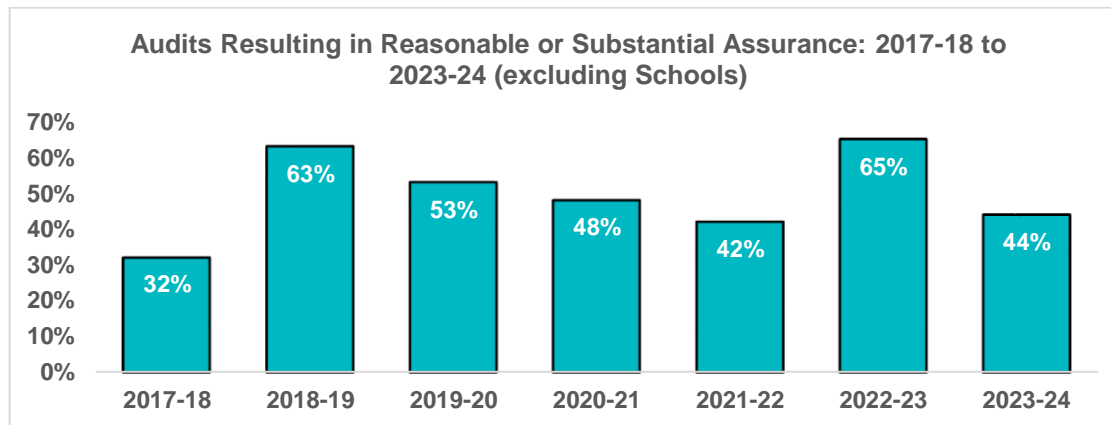
## Introduction

- 1.1 This report provides a progress update of the work that Internal Audit has carried out in accordance with its annual plan for 2024-25 which was approved by the Audit Committee at its April 2024 meeting.
- 1.2 Internal Audit follows the Public Sector Internal Audit Standards (PSIAS) which encompass the mandatory elements of the Global Institute of Internal Auditors' (IIA Global) International Professional Practices Framework (IPPF). They also include additional requirements and interpretations for the UK public sector.

# 2. Progress Update

## 2024-25 Deliverables

- 2.1 **Section 4** of this report contains details of progress against the planned audit engagements agreed in the plan. Excluding schools, in the six-month period to the end of September 2024:
  - 0 Substantial Assurance opinion have been issued.
  - 1 Reasonable Assurance opinions have been issued
  - 11 Limited Assurance opinions have been issued
  - 0 No Assurance opinions have been issued
- 2.2 The diagram below indicates the time-series data for assurance opinions. A year-to-date metric has not yet been calculated at this point owing to only limited data currently being available. For 2024-25, management should target a tangible improvement in this metric and Internal Audit considers that a reasonable benchmark would be an outturn in excess of 50%.



2.3 A summary of findings in relation to the one Limited Assurance audit that was finalised during this period is included at **Section 5**.

### **3. Resourcing Update**

#### **Recruitment and progress**

- 3.1 Resourcing of the team is critical to delivering the plan and meeting the demands of stakeholders. As previously reported, the team has continued to operate with vacancies. However, a Senior Auditor was recruited during July and an Apprentice Auditor was recruited during August - it is anticipated that they will start during November.
- 3.2 Overall progress in undertaking and completing the audit plan for 2024-25 has been slow and this is being addressed by reporting progress and escalating blockages via Directorate Leadership Teams. Owing to delays and resourcing issues there is, however, a significant risk that the delivery of audit plan will be compromised.

#### 4. Detailed audit results

	<b>Audit Title</b>	<b>Directorate</b>	<b>Opinion</b>	<b>Status</b>
1	Supply Chain Cyber Control	Corporate	Limited	Draft Report
2	Governance of Capital Programme	Corporate		
3	Health and Safety at Work	Corporate		
4	Business Continuity and Resilience Planning	Corporate	Limited	Draft Report
5	Lone Working Arrangements	Corporate		Field work
6	Data Quality	Corporate		Planning
7	Risk Management	Corporate		
8	Management of Efficiency Savings/Income Generation	Corporate		Planning
9	Employee Wellbeing and Satisfaction	Corporate		Planning
10	Management of Overtime	Corporate	Limited	Draft Report
11	Post Establishment Control	Corporate		Fieldwork
12	Key Decision Process	Corporate		
13	Information Governance / GDPR Compliance	Corporate		
14	Performance Management	Corporate		Fieldwork
15	Management of Members' Enquiries	Corporate		Fieldwork
16	Capital Budgeting and Monitoring	Resources		Fieldwork
17	Pensions Administration – Follow Up audit	Resources		Draft Report
18	IT Governance	Resources		
19	IT Asset Management	Resources		Fieldwork
20	Value Added Tax	Resources		Planning
21	Cyber Security and Resilience	Resources		
22	Staff Recruitment, Pre-employment Checks and Vetting	Resources		
23	Pension Fund Administration	Resources		
24	IR35 – Off Payroll Engagement	Resources		Planning
25	Council Tax Support Scheme/Cost of Living Relief Fund	Resources		
26	Residents Hubs	Resources		
27	Management and Control of Subject Access requests	Resources		Fieldwork
28	Financial Regulations and Procedures	Resources		
29	Treasury Management	Resources		
30	Waivers to Procurement Procedures (RCDA Process)	Corporate	Limited	Draft Report
31	General Ledger	Resources	Limited	Draft Report
32	Quality Assurance in Adult Social Care	Health and Adult Social Care		
33	Telecare Service	Health and Adult Social Care		Fieldwork

34	Payments to Home Care Providers	Health and Adult Social Care		Planning
35	Shared Lives	Health and Adult Social Care		Fieldwork
36	Contract Monitoring of Commissioned Services	Health and Adult Social Care		
37	Public Health Grants to Directorate Services	Health and Adult Social Care		
38	Management and Control of Fixed Penalty Notices	Communities	Limited	Draft Report
39	Control and Management of Premises Licences	Communities	Reasonable	Draft Report
40	King George Field's Trust – Governance	Communities		Fieldwork
41	Waste Service – Operational Management	Communities		
42	Management of Commercial Waste	Communities		
43	Transport Service	Communities	Limited	Final Report
44	Management of Video Surveillance systems	Communities		Planning
45	Leisure Service – Governance Arrangements	Communities		
46	Penalty Charge Notices – Debt Recovery and Write Offs	Communities		
47	Domestic Violence – Contract Monitoring	Communities		
48	Street Lighting Contract	Communities		Planning
49	SEND Improvement Plan	Children's Services	Limited	Draft Report
50	Youth Service	Children's Services		Planning
51	Client-Side Management of Schools' Capital programme	Children's Services	Limited	Draft Report
52	Transitioning from Children's to Adults	Children's Services		Planning
53	Leaving Care service	Children's Services		
54	Youth Offending Team – Service review	Children's Services		
55	SEND Transport and Cost Control	Children's Services		
56	Procurement and Management of Consultants for Capital Works	Housing and Regeneration		Fieldwork
57	Management of Lettings of Community and Commercial Properties	Housing and Regeneration		Fieldwork
58	Capital Delivery Team – Payment and Budgetary Control	Housing and Regeneration		
59	Management of Capital Projects by Capital Delivery	Housing and Regeneration		
60	Housing Allocations – Bidding Process	Housing and Regeneration		
61	Section 20 Leaseholder Consultation Process	Housing and Regeneration		
62	Homeless Families Visiting, Inspections and Investigation	Housing and Regeneration		
63	Housing Management - Governance	Housing and Regeneration		
64	Management of Voids	Housing and Regeneration		
65	Damp and Mould Management	Housing and Regeneration		Planning
66	Service Charges – Calculations, Allocations and Billing	Housing and Regeneration		Planning
67	Planning and Building Control Fees/Charges	Housing and Regeneration		Fieldwork
68	Housing Repairs	Housing and Regeneration	Limited	Draft Report
69	Legal Services – Quality Assurance	Chief Executive's		
70	Corporate Compliance Culture	Chief Executive's		Planning

71	Mayors Community Grants – Governance & Monitoring	Chief Executive's		
72	Community Cohesion	Chief Executive's		
73	Procurement and Commissioning of Barristers and Solicitors	Chief Executive's	Limited	Draft Report

Schools Audits		Opinion	Status
1	Arnhem Wharf Primary School	Reasonable	Draft Report
2	Globe Primary School	Reasonable	Draft Report
3	Harry Gosling Primary School	Reasonable	Draft Report
4	John Scurr Primary School		Planning
5	Lansbury Lawrence Primary School		Planning
6	Lawdale Primary School		Planning
7	Marion Richardson Primary School		Planning
8	Old Palace Primary School		Planning
9	Redlands Primary School		Planning
10	St Agnes Primary School		Planning
11	St Elizabeth Primary School		Planning
12	St Lukes Primary School		Planning
13	St Paul with St Luke Primary School		Planning
14	St Saviour's Primary School		Planning
15	Stepney Park Primary School		Planning
16	Morpeth Secondary School		Planning
17	Oaklands Secondary School		Planning
18	Beatrice Tate Special School		Planning
19	LEAP – Harpley Inclusion Unit		Planning



## 5. Audit summaries

Title	Date of Report	Comments / Findings	Scale of Service
Review of Passenger Transport Service	July 2024	<p>The Objective of this review was to provide assurance over the management of Passenger Transport Service. The Service arranges and delivers all the Home to School transport for 617 children with Special Educational Needs (SEN) and adults with care plans. There are currently 54 daily routes in operation. There are approximately 80 regular routes being operated by external contracted partners. All staff operating the service are required to have undertaken appropriate training in dealing with children and adults with disabilities and are subject to DBS (Disclosure and Barring Service) checks The audit review showed the following good practices:-</p> <ul style="list-style-type: none"> <li>• A Passenger Services Staff Handbook was in place, dated 2023. The Handbook covers areas such as service standards, annual leave and sickness, Health and Safety, specific responsibilities of passenger assistants and communications.</li> <li>• External contracted transport spend was monitored via a live dashboard and discussed at the monthly Adult Travel Assistance Project Board Transport. In addition, Internal Transport spend was discussed at Children &amp; Young Persons SEND Travel Assistance Operational Working Group, attended by the Director of Education, Corporate Director, Communities, together with Service and Finance Leads.</li> <li>• An O license has now been acquired by the service. This means that coaches and buses can be utilised to provide out of borough transport for trips booked by schools and voluntary organisations</li> </ul> <p>The following key issues and control weaknesses were identified:-</p> <ul style="list-style-type: none"> <li>• Existing governance arrangements are not as sound as they should be and required improvement. For example, there was no Service Level Agreement in place between Passenger Services, Children's Services and Adult Health and Social Care. Therefore, service provision, standards of service, roles and responsibilities, reporting lines and oversight arrangements etc. have not been formally set out and agreed. In addition, the process for the allocation of passenger transport costs (based a written formula for 2023/24), to the Client Directorates required to be formally agreed and covered by a formal agreement.</li> <li>• In addition, there was no Service Plan for the Service at the time of audit. Therefore, it was unclear what the governance, management, monitoring and reporting arrangements were for Passenger Services.</li> <li>• In order to procure external transport, a Framework contract was being used, the costs of which, was being met by Adult Services. The total recharge costs for external transport for 2023/24 was £1.7m. There are currently 9 external providers in place. However, we were only provided with evidence of market testing</li> </ul>	

Title	Date of Report	Comments / Findings	Scale of Service
		<p>(RFQ) documentation relating to one provider. The Contract Monitoring Officer appeared to not have the supporting contract documentation.</p> <ul style="list-style-type: none"> <li>• From our testing of 10 external routes, in 8 cases the daily rates invoiced by the suppliers did not match with the contracted rates. There was risk of overcharge by the suppliers if rates invoiced are not matched with the contract rates. In addition, Purchase Orders were raised in retrospect i.e. after invoices had been received. The current contractual arrangements for the provision of external transport was in need of an urgent review.</li> <li>• A DBS report for all Passenger staff was produced for Audit. Our testing showed that in 16 of the 146 staff (10.95%) , the last DBS checks were more than 3 years old and therefore, out of date.</li> <li>• A review of overtime showed that as at period 10 (January 2024), total overtime paid amounted to £253,531. Audit analysis showed there had been 136 staff who claimed overtime in the period, of which, 2 staff had total overtime of £18,440 and £11,557. There were 14 staff who received overtime of between £5k - £10k. We noted that the total amount for overtime paid for 2023/24 was £302,344.</li> <li>• Detailed testing of overtime showed that there was no clear local policy on Overtime in order to plan, control and monitor the hours worked. All Weekly Claim for Additional Payment forms were checked and approved by the Route Manager, who also prepared the monthly overtime spreadsheet submission to Payroll. This represents poor segregation of duties and weak control with the risk that overtime claimed may not be challenged and reviewed by higher management. Our testing also showed that staff were working overtime whilst being on annual leave. In order to test the justification and business case for working large amount of overtime, we requested copies of supporting documents and business cases for overtime working. However, we were not able to fully test this area in detail as the information required was not made available by the Officer. We therefore, recommended an urgent review of overtime in order to ensure the overtime system is not being abused.</li> <li>• It was noted that as at period 12 (March 2024), the 2023/24 budget for Passenger Transport Services (internal transport provision) was showing a full year forecast of £6,334,754 against a current budget of £5,301,900. A negative variance of £1,032,854. This included forecasted expenditure of £285,151 for staff overtime and agency costs of £665,952, for which there was no budget provision in place. Therefore, the total costs for covering staff vacancies and staff absences totalled £951,103 (as of March 2024).</li> <li>• As part of performance monitoring, a dashboard was in place. This showed the number of passenger transport journeys completed on time and a customer satisfaction survey assessed against Passenger Services service standards for Schools/Centres. However, the Passenger Services Manager advised that as there was a lack of administrative support (current admin officer on long term sick leave), therefore this information was not being produced for Management and therefore, no clear scrutiny in this area.</li> </ul>	



Title	Date of Report	Comments / Findings	Scale of Service
		All findings and recommendations were agreed with the Business Manager – Operational Services and Final audit report was issued to the Director of Public Realm and Corporate Director of Communities.	

Opinion		Definition
<b>Substantial</b>	Positive 	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>		There is a generally sound system of governance, risk management and control in place. Some issues, noncompliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	 Adverse	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and/or control to effectively manage risks to the achievement of objectives in the areas audited.
<b>No</b>		Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of objectives in the areas audited.

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