

APPENDIX A**Summaries of Finalised Internal Audits**

Assurance level	Significance	Directorate	Audit title
LIMITED	Extensive	Corporate	Efficiency Savings
	Extensive	Corporate	Purchase Cards – Follow Up Audit
	Extensive	Corporate	Risk Management
	Moderate	Children and Culture	Children Supported under No recourse to Public Funds
	Moderate	Health, Adults and Community	Adults Supported under No Recourse to Public Funds (NRPF)
SUBSTANTIAL	Extensive	Place	Governance of In Sourcing of the Refuse Collection Service
	Extensive	Governance	Insurance Management and Administration
N/A	Extensive	Children and Culture	SEN Transport Overspend – Consultancy Audit

Limited Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Efficiency Savings (2018/19 Audit Plan)	March 2020	<p>The objective of this audit was to provide assurance over the systems for planning, managing and monitoring efficiency savings approved for the 2018/19. To deliver a balanced budget, 68 efficiency savings had been agreed for the period 2018/19 to 2020/21. For 2018/19, 68 saving projects amounting to £23.8M was agreed by Cabinet. We noted that 19 of 68 projects were identified in 2018/19 planning cycle, 41 originated in 2017/18, 7 originated in 2016/17 and 1 was proposed in 2015/16. The following key issues were reported:-</p> <ul style="list-style-type: none"> • An analysis of actual performance against planned savings for 2016/17 to 2018/19, identified that significant slippage had occurred year on year and slippage carried forward to the following years. For 2016/17 to 2018/19, the actual savings reported as achieved was £49.8M against the planned savings of £69.3M - a total slippage of £20.3M. This has increased the risk of shortfall in savings being funded from reserves to balance the budget and clearly this approach cannot be sustained. • There was a lack of written policy and procedures to govern the efficiency savings programme. Consequently, key roles and responsibilities and principles and criteria for identifying and formulating efficiency savings proposals at Directorate and Corporate level were not clear. • Testing of a sample of 13 savings for 2018/19, identified that in two cases the savings proposals had not been risk assessed. 11 of the 13 proposals were formulated in 2017/18, and one in 2016/17. There was no evidence of these being reviewed and refreshed for inclusion in 2018/19 savings programme. We also noted that there was no evidence that the supporting business cases had been formally approved by individual Corporate Directors. 	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Efficiency Savings (2018/19 Audit Plan)		<ul style="list-style-type: none"> • In majority of cases, adequate working papers were not made available to audit in order to demonstrate the calculations/budget assumptions used in the savings proposals. • Our testing of the system and control for tracking of savings during 2018/19 identified that in quarter 1, it was reported to the Cabinet that £22.8M of the target savings of £23.8M would be achieved. In quarter 3, this figure was revised to £15.6M and in quarter 4, it was reported that £13.0M of the target was achieved. We understand that the figures reported to the Cabinet were based on a number of assumptions made by budget holders who RAG rated the achievable savings, which were in turn reported to the Cabinet as part of the Quarterly Budget Monitoring to the Cabinet meetings. Apart from the quarterly updated finance tracker, there was no evidence that accountable officers had reviewed and approved the updates. • There appeared to be no system to ensure that a post assessment and an evaluation was carried out to verify that savings delivered had released the desired efficiencies and outcomes for the Council. <p>All findings and recommendations were agreed with the Interim Divisional Director of Finance, Audit and Procurement. Final report was sent to all Corporate Directors.</p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Purchase Cards Follow Up audit	Feb. 2020	<p>This was a second follow up audit undertaken on the management and control of purchase cards. The original report was issued in September 2017. The first follow up audit report was issued in July 2018 following the original report in September 2017. Both were assigned Limited assurance opinions. In 2018/19 the Council spent £950,855 through purchase cards. A 23% increase on the previous financial year (£773,452). The cumulative spend on purchase cards for quarter 2 for 2019/20 was £470,317.</p> <p>Of the five recommendations followed up during the second follow up, one was implemented, two had been partially implemented and two had not been implemented. As a result there are outstanding issues and risks related to:</p> <ul style="list-style-type: none"> • There was failure to reclaim VAT resulting in financial loss. We noted that 23 of the 48 transactions tested for the months of April and May 2019 were eligible for a VAT reclaim. However no VAT was reclaimed for over 50% (12 of 23) of the transactions. The total VAT loss was £1,372.38. This issue was also raised in previous audit reports and its overall impact remains significant. • Line managers were failing to review and approve purchases resulting in an increased risk of fraud, error and financial loss. Our testing showed that for April to September 2019, £70,467 of the total spend of £470,317 (i.e. 12.34%) was not reviewed for correctness. In addition, £119,116 of the total spend (i.e.37.24%) was not approved. These transactions, therefore, automatically defaulted to payment without adequate checks being made. This is a clear breach of the Council's financial regulations and breach of the Council's purchase card policy. This issue has been consistently raised in the previous audit reports. 	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Purchase Cards Follow Up audit	Feb. 2020	<ul style="list-style-type: none"> • There was no effective Management Oversight in this area. Consequently, repeated failure by same officers to review and approve transactions was not being reported to higher level management for corrective action to be taken. Although monthly reports that record the level and nature of spend, as well as the lack of management reviews and approvals were provided to each directorate by Corporate Procurement, these reports were not presented or discussed at DLTs and hence persistent non-compliance was not being addressed. <p>All findings and recommendations were agreed with the Interim Divisional Director, Finance, Audit and Procurement. Final report was sent to all Corporate Directors.</p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Risk Management	Feb. 2020	<p>The objective of this audit was to provide assurance that systems in place for monitoring and managing risk across the Council were sound and secure to meet the agreed objectives. Management of risk is a key process which underpins successful achievement of the Council's objectives and priorities. Risk management failure can have particularly disastrous consequences within the public sector; the collapse of Carillion and the Grenfell tragedy are recent examples. Our review found that the Council has a Risk Management Strategy which outlines risk management processes, as well as the roles and responsibilities of key individuals and groups/committees. Our review found that mandatory training was provided to the CLT and Divisional Directors (Using Risk Management to Transform Culture, Decision making and Performance), and targeted to include risk appetite, maturity and culture. The Interim Strategic Risk Advisor provides one to one support on the JCAD risk management system where required. The following key issues were reported:-</p> <ul style="list-style-type: none"> • There was a lack of evidence that regular review of risks within directorate and divisional meetings takes place, and there is no formal systematic process for identifying new risks. • From our review of a sample of risk registers to assess whether they were being reviewed on a regular basis and appropriate assurance and controls were assigned to them, we found a number of weaknesses. For example, risks, triggers and consequences were not properly detailed. Once identified and assessed risks and controls were not being reviewed and completed in a timely manner. Controls did not contain sufficient information to identify how they operate in practice. Risk scores did not fall within the council's risk appetite as defined within the risk strategy. Some controls were set out as being in place but were not scored as 100% complete. Controls did not have review dates listed. In some cases, all controls were listed as 100% complete but the target risk score had not been met. 	Extensive	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Risk Management	Feb. 2020	<ul style="list-style-type: none"> • We reviewed the risk management training provided and the attendance rates and found that it could not sufficiently be evidenced who attended the mandatory Institute of Risk Management Training for the Corporate Leadership Teams and Directorate Leadership Teams. Furthermore, the 'Fundamentals of Risk Management' training was non-mandatory to officers, including those with risk management responsibilities, and we could only verify that one of the Risk Champions had received risk management training. • The Risk Champions Group was not attended regularly by risk champions, and discussions are not always documented sufficiently. • There was insufficient management review and challenge of the Corporate Risk Register by the Corporate Leadership Team, and discussions were not documented in sufficient detail within minutes of the meetings. Our review of a sample of minutes from the Audit Committee meetings found that there was no documented evidence to demonstrate that actions relating to the risk register were being followed up. • Based upon the work undertaken as part of this risk management audit against the risk maturity framework, we have concluded that the Council's risk maturity level lies between 'Risk Defined and Risk Aware'. Whilst the framework, strategy and procedures are well documented, compliance with these is variable across the Council' and review and engagement with risk management by directorates requires improvement. <p>All findings and recommendations were agreed with the Head of Audit, Fraud and Risk and final report was issued to all Corporate Directors and the Chief Executive.</p>		

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Children Supported under No recourse to Public Funds	Feb. 2020	<p>The objective of this audit was to provide assurance over the management and control of No Recourse to Public Fund (NRPF) cases. LBTH has a duty to provide support to those individuals who have No Recourse to Public Funds, including providing accommodation to safeguard and promote the welfare of children. NRPF applies to migrants who are 'subject to immigration control', and have no entitlement to certain welfare benefits, local authority housing, and homelessness assistance. For 2018/19, the annual spend was £533,760.</p> <p>Our review found that the "child in need assessment" had covered the three areas of the Common Assessment Framework. The Service was subscribing to NRPF Connect database to help Councils and the Home Office to identify, consider and conclude no recourse to public funds cases. Any termination of NRPF support was handled adequately. Network of support with outside agencies for help, advice and specialist support was in place. Bi monthly case conferences were being held with lead professionals to obtain support, advice and guidance on more problematic cases. However the following issues were reported:</p> <ul style="list-style-type: none"> • The service did not have a declaration of truth and formal consent form process. There was no financial checklist which detailed all the checks that must be undertaken during an assessment process to ensure that all families are treated consistently. • There were no standardised procedures for officers to follow. This can increase the risk of staff not acting in accordance with management expectations leading to possible fraudulent applications being processed. 	Moderate	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Children Supported under No recourse to Public Funds	Feb. 2020	<ul style="list-style-type: none"> • Testing showed that in 4 of the 7 cases we reviewed, key documents had not been scanned into the system for a full and correct assessment to happen. In 2 cases, the quality of scanned documents was poor that their genuineness could be questioned. There was no process for referring the cases of concern to the Corporate Anti-Fraud Team for further Investigation. • Testing of 7 cases revealed that information on client's entitlement to work in the UK and to receive welfare benefits, housing assistance or home office support was not copied to each client file to enable the social worker to be fully aware of their NRPF status. • We were informed that although Child in Need assessments were undertaken by qualified social workers, these officers had no specific training on assessing financial assistance for NRPF. • For the financial year 2018/19, there was a budgetary provision of £381,900 to support families claiming to have NRPF. However, towards the end of 208/19, the spending had increased to £533,700 an increase of £152,000. There appeared to be no challenge or scrutiny around all children defined as NRPF and provided with assistance. We understand that NRPF Panel has now been established to provide challenge. <p>All findings and recommendations were agreed with the Divisional Director, Children's Social Care and final report was issued to the Corporate Director, Children and Culture.</p>		

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Adults Supported under No Recourse to Public Funds (NRPF)	April 2020	<p>This audit provided assurance over the adequacy of the systems in place for the management and control of NRPF cases for Adults. LBTH has a statutory duty to provide housing and financial support to vulnerable adults who have NRPF need. Our review found that all assessments tested within the audit sample of 10, covered the main areas of the assessment framework. There was a consistent approach to decision making in accordance with public law principles. The termination of NRPF had been handled appropriately. The Service has a network of support with outside agencies that it can access or be referred to for advice and support. However, the following key weaknesses were reported:-</p> <ul style="list-style-type: none"> • No detailed procedures or guidance was in place to support staff to deal with NRPF cases including the reporting of potential fraudulent applications. • Staff had no specific training on financial assessments or guidance on examining identity documents for authenticity. • No details of the financial assessment checks had been recorded on the system in support of the client's applications for NRPF support. • No specific budget and budgetary control for NRPF costs was in place. We were advised that there were 8 to 10 cost centres for charging the costs under different categories. There is a risk that total NRPF expenditure cannot be effectively quantified and reported nor can it be monitored year on year by the service to assess trends and patterns with regards to NRPF clients. • Access to the NRPF Connect system had been blocked for a number of months culminating in staff being unable to obtain updated Home Office Status reports. <p>All findings and recommendations were agreed with the Divisional Director, Adults Social Care and final report was issued to the Corporate Director, Health, Adults and Community.</p>	Moderate	Limited

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Governance of In Sourcing of the Refuse Collection Service	Jan. 2020	<p>This audit reviewed the governance arrangements for transferring refuse collection services to the in-house team. The creation of an in-house service from 1st April 2020 was approved by Cabinet on the 31st October 2018. The proposed in-house service costs was estimated at £18.753M. It was expected that an estimated savings of £393K p.a. could be made. Our review showed that a Waste Mobilisation Steering Board and a Working Group was established to steer the project. Both groups had clear Terms of Reference. Clear roles, responsibilities and accountabilities for the delivery of the waste mobilisation project had been established.. Regular programme assurance updates were provided to senior management and members. The following key issues were reported:-</p> <ul style="list-style-type: none"> At the Cabinet meeting on 31/10/2018 which approved the in-housing option, Members were advised of the estimated full cost of £18.753M p.a, including annual pension contribution of £0.95M. However, the draft Financial Model, dated 05/09/2019 obtained from the current contractor showed total cost of the proposed in-house service to be £21.3M p.a. including £2.6M employer's pension contributions p.a. This represents an increase in cost of £2.012M p.a. to what was reported to the Cabinet in October 2018. We noted that the elements of the financial model were built on information supplied by the contractor and were not independently validated as they were based on existing operations and annual contract costs. We were informed that a growth bid had been submitted to address the increased cost of the proposed service and this was going through the laid down scrutiny and approval process including Cabinet approval. 	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Governance of In Sourcing of the Refuse Collection Service	Jan. 2020	<ul style="list-style-type: none"> • The October 2018 Cabinet gave authority for officers to negotiate and agree an exit strategy with the current provider which would enable all of the services to be brought back In-house by the 31st March 2020. However, our testing confirmed that this requirement has yet to be implemented. • Our review of the corporate risk register showed only one corporate risk had been recorded which was in respect of risk around HR. We noted that other relevant risks such as financial risks were not recorded on corporate register. • Audit was provided assurance that any proposed employment transfer would include vetting and verification checks on Right to Work and other requirements. However, a detailed HR Project Plan was yet to be submitted for audit review. • A Business Continuity Plan, in line with the Council's Corporate business continuity policy and procedures, needed to be developed. • Operational procedures for the new in-house service needed to be developed and agreed as soon as practicable. <p>All findings and recommendations were agreed with the Divisional Director of Public Realm and final report was issued to the Corporate Director, Place.</p>		

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Insurance Management and Administration	Feb. 2020	<p>This audit was designed to provide assurance that systems in place for monitoring and processing insurance claims were sound and secure. All organisations require appropriate levels of insurance to mitigate the impact of unforeseen events that could have a detrimental effect. The level of insurance cover should be regularly reviewed to ensure that it remains sufficient for the risks faced by the organisation. The claims and reporting process need to be robust to ensure any claims are dealt with in a timely manner and any trends in the types or numbers of claims are identified. The Council has policies in place with a number of different insurance providers. This include insurances for motor, right to buy properties, property and liability, excess and for terrorism. The amount of self-insurance (excess) used by the Council is £2m for property claims, and £500k for liability claims. The following issues were highlighted:</p> <ul style="list-style-type: none"> • The Council has adequate insurance cover to meet its defined insurable risks, adequate processes to ensure compliance with the requirements of the Insurance Act 2015 to carry out effective searches of records and to disclose material circumstances to the insurer, adequate supporting documentation to support claims, timely processing of claims and good systems for recording insurance data and claims information. • However, the Council does not have a formal insurance strategy in place. An insurance strategy is required as part of the CIPFA guidelines and should clearly outline the activities and processes of the Insurance team, in addition to how the insurance strategy links to the accomplishment of the Council's wider strategic objectives. <p>All findings and recommendations were agreed with the Interim Director of Finance, Audit and Procurement. Final report was sent to Corporate Director of Resources.</p>	Extensive	Substantial

Consultancy Work

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Review of SEND Transport Overspend for 2018/19	March 2020	<p>In March 2019, the Corporate Director, Children and Culture was alerted of a projected overspend of £2.6 Million on SEND Internal and External Transport. Internal Audit was requested to carry out a high level control review into this area. The audit overview established that the financial report for period 11, contained incorrect information and projection. The data was subsequently cleansed and the overspend on SEND Transport was re-calculated to be £1.36 Million, still a significant overspend. Following this exercise, the Corporate Director requested Internal Audit to undertake a “Deep Dive” review of SEN transport overspend. This review identified the following key issues and risks:-</p> <ul style="list-style-type: none"> • On 31/10/2017, Cabinet was informed that “given the financial constraints, it is imperative that resource funding levels to support this demand led service are considered fully as part of the Council’s Outcome Based budgeting approach for 2017 to 2020”. We noted that two growth bids of £1M each, for the financial years 2018/19 and 2019/20, were approved by CLT, only as a temporary solution. An ongoing growth bid of £1M was rejected by CLT, as it was expected that savings will be generated through demand management, improved ways of working and securing new providers. Unfortunately, these savings did not materialise. In particular, the new contract failed to deliver sufficient competition resulting in costs rising in excess of the demand. • Our testing showed that over the last four years the SEND external and internal transport budgets were continuously being overspent by approximately 31%. Despite the increase in spending, the base budget was not reviewed. For 2019/20 the base budget was set at roughly the same level as 2018/19. Consequently, as at period 3 of 2019/20, the full year budget forecast variance of £1,362,422 on externally commissioned transport was forecasted at the time of this audit. This indicated that budget overspend will continue for 2019/20. 	Extensive	N/A

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Review of SEND Transport Overspend	March 2020	<ul style="list-style-type: none"> <li data-bbox="584 437 1641 667">• There was an ineffective budgetary control procedures in this area. The SEN Transport budget holder (Children’s services) had no visibility and control over the internal transport spending decisions taken by Transport Services Unit (TSU) officers within Place Directorate. Issues around delayed recharges from Transport Services for internal transport costs were identified by Finance earlier in 2018/19 However these issues were not escalated effectively to the relevant officers in Place Directorate, and therefore were not resolved <li data-bbox="584 708 1641 906">• The 2018/19 recharges from TSU for SEN transport were £3,093,670. We were unable to test the accuracy of these recharges.. We were able to reconcile fixed costs of £942,150 (lease costs of £595,223, maintenance costs of £180,588, management fees of £52,000 and insurance of £114,000) however we were unable to reconcile the remaining variable costs of £2,151,520 which related to school journeys <li data-bbox="584 948 1641 1310">• The procurement of the SEN external transport in August 2018 did not achieve its objective and did not demonstrate value for money. As a result there was an increase in expenditure of £1.14M on external transport (taxis and minibuses with 111 external routes) which contributed to the budget overspend of £1.36M for 2018/19. The 2018 procurement resulted in two bidders being awarded the contract. The added pressure on these two providers resulted in additional routes being commissioned on an RFQ single price basis. As at June 2019, total of £322,250 was spent across the Council with a single supplier without competition, of which £123,425 was for Children’s SEN transport through multiple RFQs. This is a breach of the Council’s procurement procedures. 		

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Review of SEND Transport Overspend	March 2020	<ul style="list-style-type: none"> • To resolve the above issues, we made recommendations to improve governance, budget management, procurement and to have clear lines of accountability and responsibility for this area. The findings and recommendations of this audit were reported to the Children and Culture DLT and the CLT. <p>Subsequent to the completion of the internal audit, the Children and Culture Directorate engaged the services of the Corporate Portfolio Management Office to pull together (as part of their work on SEND transformation work), an action plan from internal audit report and also from work undertaken by Grant Thornton. The action plan for the period 2019/20 to 2022/23 set out the actions that will be undertaken to deliver substantial changes to the arrangements for SEND transport to ensure development of robust financial arrangements; governance oversight; policy review; procedural redesigns and the introduction of a new approach to commissioning taxi routes that is intended to support the delivery of best value. The action plan was reported to the CLT in November 2019.</p> <p>The final audit report was issued to the Corporate Director, Children and Culture.</p>		

