Report No. FSD24037	**London Borough of Bromley**
	PART ONE - PUBLIC

Decision Maker:	**AUDIT AND RISK MANAGEMENT COMMITTEE**		
Date:	**Tuesday 4 June 2024**		
Decision Type:	Non-Urgent	Non-Executive	Non-Key
Title:	**ANNUAL INTERNAL AUDIT REPORT 2023/24**		
Contact Officer:	Francesca Chivers, Head of Audit and Assurance E-mail: Francesca.Chivers@bromley.gov.uk		
Chief Officer:	Director of Finance		
Ward:	(All Wards);		

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1. Reason for report

This report provides the Head of Audit and Assurance's annual opinion for 2023/24 on the Council's overall systems of risk management, governance and control. This opinion is one of the key independent means of assurance available to Members to enable them to ensure that a sound system of governance is in place and that risks are being effectively managed. It should inform Members' review of the Annual Governance Statement, provided as a separate agenda item. The report includes:

- The Head of Audit and Assurance's overall opinion on systems of risk management, governance and control

- An overview of the work undertaken to support the opinion

- A summary of the outcomes of the Quality Assurance and Improvement Programme, including progress against the Quality Action Plan.

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2. **RECOMMENDATION**

Members are asked to note the report, including the Head of Audit and Assurance's opinion for 2023/24 on overall systems of risk management, governance and control, and comment on matters arising.

Impact on Vulnerable Adults and Children

1. Summary of Impact: None

Transformation Policy

1. Policy Status: Not Applicable
2. Making Bromley Even Better Priority:
    (5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.

Financial

1. Cost of proposal: Not Applicable:
2. Ongoing costs: Not Applicable:
3. Budget head/performance centre: Audit
4. Total current budget for this head: £640, 240 (2023/24)
5. Source of funding: General Fund

Personnel

1. Number of staff (current and additional): 6.5 FTE (establishment)
2. If from existing staff resources, number of staff hours: N/A

Legal

1. Legal Requirement: Statutory Requirement:
2. Call-in: Not Applicable:

Procurement

1. Summary of Procurement Implications: Some audit recommendations will have procurement implications.

Property

1. Summary of Property Implications: None

Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: None

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Impact on the Local Economy

1. Summary of Local Economy Implications: None

Impact on Health and Wellbeing

1.   Summary of Health and Wellbeing Implications: None

Customer Impact

1.   Estimated number of users or customers (current and projected): Relevant to all of the Council's stakeholders

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Ward Councillor Views

1.   Have Ward Councillors been asked for comments? Not Applicable
2.   Summary of Ward Councillors comments: Not Applicable

3.   COMMENTARY

3.1   Under the Accounts and Audit Regulations 2015, the Council must "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes", taking into account the Public Sector Internal Audit Standards (PSIAS). It is a requirement of these Standards that the Head of Audit and Assurance provides an overall opinion for each financial year on systems of risk management, governance and control. This opinion is intended to inform Members' review of the Annual Governance Statement (AGS), as it provides a means of independent assurance on the assertions within the AGS.

3.2   The overall opinion is primarily based on audit outcomes from the 2023/24 Internal Audit Plan. However, it also takes into account:

► Follow up of recommendations

► Counter fraud work and other investigations throughout the year

► Ad-hoc advisory work

► Our own informal observations of the organisation, for example through attendance at Corporate Leadership Team, Corporate Risk Management Group and other forums

► The Ofsted inspection of Children's Social Care, reported in January 2024.

3.3   The report also contains the outcomes of our Quality Assurance and Improvement Programme (QAIP). This information is intended to enable Members to discharge their responsibility to oversee the quality and effectiveness of Internal Audit. Progress against our Quality Action Plan is provided at **Appendix D**.

3.4   Our ability to remain independent and free from undue influence whilst undertaking our work is critical to our effectiveness, as our assurances are thus fully impartial. As such, I am required by professional standards to annually confirm our independence to Audit and Risk Management Committee. For 2023/24, there have been no impairments or scope restrictions placed on our work.

3.5   Internal Audit Progress

3.5.1   Progress against the original 2023/24 Internal Audit Plans as agreed by Members of Audit and Risk Management Committee in March and November 2023 is set out in **Table 1** below. For completeness, where Members have subsequently approved amendments to the original Plans, I have also shown these amendments in the table.

3.5.2   Since the last progress report to Audit and Risk Management Committee on 28 March 2024 we have issued the following final reports (as at 23 May 2024). Summaries of these are provided in **Appendix A** and redacted versions of the full reports are also published as an information briefing with this agenda.

• Corporate Health and Safety

• Children and Young People's Mental Health and Wellbeing Contract

• Learning Disabilities – Reviews and Budget Monitoring

• Adults Safeguarding – Procedures and Quality Assurance Processes

• Quality of Residential Care – Adults

3.5.3 Summaries of all other pieces of work can be found in the November 2023 and March 2024 progress reports. Audits that are not yet complete will be reported to a future meeting of this Committee.
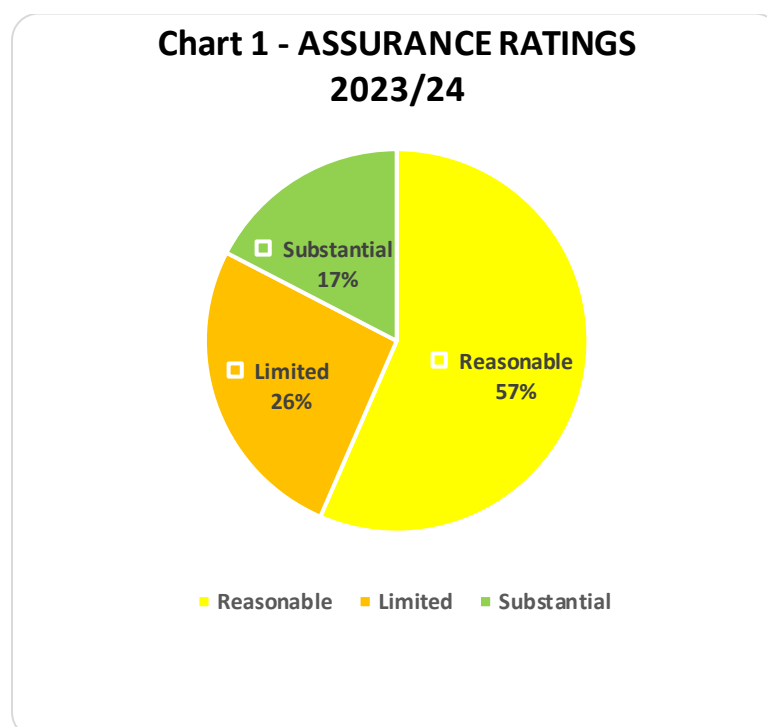
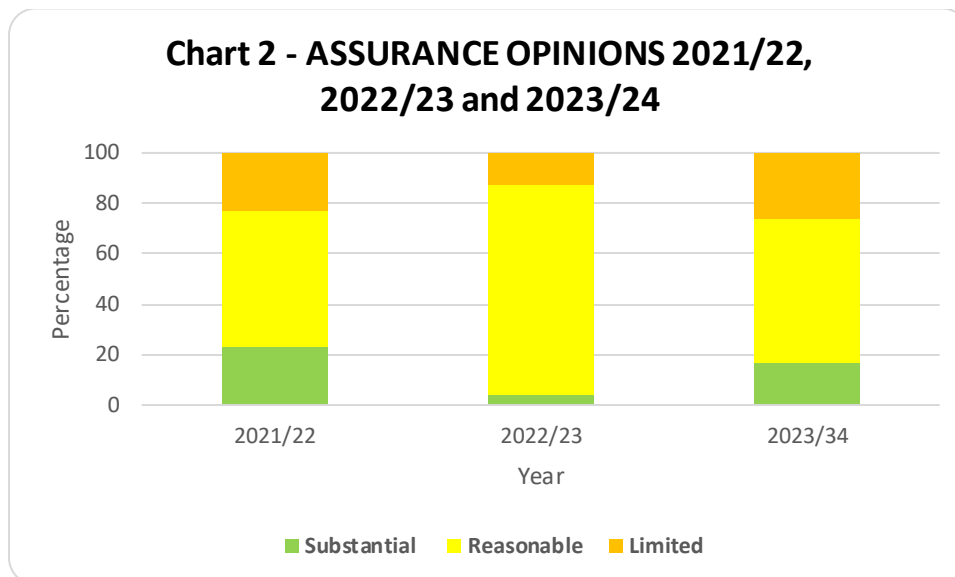**3.6 Internal Audit Outcomes**

3.6.1 Our audit opinion this year includes 24 pieces of work that were given a formal assurance opinion and all of these are listed in **Table 1** below. (Definitions of our assurance opinions are set out in **Appendix B**.)

Table 1 – 2023/24 Internal Audit Plan	
Audit	**Status and Assurance Opinion**
Temporary Accommodation Housing Rents (carried forward from 2022/23)	Complete – Reasonable Assurance
Domestic Abuse (carried forward from 2022/23)	Complete – Limited Assurance
Transformation (carried forward from 2022/23)	Complete – Reasonable Assurance
Gifts and Hospitality / Declarations of Interest (carried forward from 2022/23)	Complete – Reasonable Assurance
Highways – Management of Major Works (carried forward from 2022/23)	Complete – Limited Assurance
Discharge to Assess (carried forward from 2022/23)	Complete – Limited Assurance
Domiciliary Care (carried forward from 2022/23)	Complete – Limited Assurance
Parking Income (carried forward from 2022/23)	Complete – Reasonable Assurance
Social Care System – Implementation review (carried forward from 2022/23)	Complete - Advisory
Staff Wellbeing (Advisory - carried forward from 2022/23)	Complete - Advisory
Housing Capital Schemes (carried forward from 2022/23)	Complete – Reasonable Assurance
Grant assurance work including Supporting Families and Disabled Facilities Grant	Supporting Families – Complete DFG – Complete Supplementary Substance Misuse Treatment Grant - Complete
Recruitment and Retention	Fieldwork
Health and Safety Framework – Authority Wide	Complete – Reasonable Assurance
Pre-Employment Checks	Complete – Reasonable Assurance
Medium Term Financial Strategy	Complete – Substantial Assurance
Contract Management – Exchequer and Customer Services	Review / feedback
Personal Data Breaches	Complete – Reasonable Assurance
Cloud Design and Migration Plan	Cancelled – Approved by Audit and Risk Management Committee 28/03/2024
CQC Inspection Preparation (Advisory)	Cancelled – Approved by Audit and Risk Management Committee 28/03/2024
Learning Disabilities	Complete – Reasonable Assurance
Safeguarding Adults	Complete – Limited Assurance
Quality of Residential Care – Adults	Complete – Substantial Assurance
Children and Young People's Mental Health and Emotional Wellbeing	Complete – Limited Assurance
Schools Rolling Programme	Southborough – Complete – Reasonable Assurance St Olaves – Complete – Reasonable Assurance
Street Environment (Contract Management)	Complete – Substantial Assurance

Community Safety	Complete – Reasonable Assurance
Health and Safety Framework – Environment and Public Protection	Complete – Reasonable Assurance
Homes for Ukraine	Complete – Reasonable Assurance
Quality of Accommodation (TA)	Deferred to 2024/25 – Approved by Audit and Risk Management Committee 28/03/2024
Contract Management – Property	Complete – Limited Assurance
Payroll	Deferred to 2024/25 – Approved by Audit and Risk Management Committee 28/03/2024
Combined Drug and Alcohol Partnership	Discussion Draft Report issued 15 May 2024 Grant sign-off complete
Children Missing Education	Draft Report issued 17 May 2024
SEND transport provider payments	Complete – no issues identified
Temporary Accommodation Pro Active counter fraud exercise	Fieldwork – ongoing
Accommodation move	Initial review complete, work ongoing
Operational Property Repair Programme	Ongoing
IT Procurement – Advisory	Cancelled – Approved by Audit and Risk Management Committee 7/11/2023
Leaving Care	Cancelled and replaced with Children Missing Education - Approved by Audit and Risk Management Committee 7/11/2023

3.6.2 **Chart 1** below shows an overall breakdown of the assurance opinions given in 2023/24. As we are placing reliance on Ofsted outcomes in addition to our own work, the breakdown includes a 'Substantial' equivalent opinion. **Chart 2** provides a comparison of assurance opinions across the 2021/22, 2022/23 and 2023/24 financial years.

Chart 1 - ASSURANCE RATINGS 2023/24

Substantial 17%

Limited 26%

Reasonable 57%

■ Reasonable ■ Limited ■ Substantial

Chart 2 - ASSURANCE OPINIONS 2021/22, 2022/23 and 2023/24

A stacked bar chart showing Percentage (y-axis, 0 to 100) against Year (x-axis) for 2021/22, 2022/23 and 2023/34, with categories Substantial (green), Reasonable (yellow) and Limited (orange).

3.6.3 Overall in 2023/24, 57% of audits received 'Reasonable' assurance and a further 17% received 'Substantial' assurance (the highest rating). This is a strong set of results which indicates that there are controls in place to manage the majority of risks reviewed as part of our audits. Overall, 74% of audits received 'Reasonable' or higher, compared to 77% in 2021/22 and 87% in 2022/23. Whilst the proportion of Reasonable / Substantial assurances has dropped slightly since previous years, this is not unduly concerning as:

- Internal Audit reviews different risk areas each year and therefore distribution of opinions will not be the same year on year
- The distribution of assurance ratings in 2023/24 is very similar to 2021/22
- As with 2022/23, we are focusing our resources on risk areas that are either new to the Council, inherently high risk or which have not been reviewed for some time
- The proportion of 'Substantial' audits has increased since 2023/24. These audits include reviews of key areas where associated controls are critical to the effective running of the Council.

3.6.4 We will continue to monitor trends and update our analysis as part of our progress reporting to this Committee.

3.6.5 Despite the challenges faced by the Council over the past year, we have noted areas of strength across governance, risk management and control. As with all Local Authorities, the Council has faced significant financial pressures including inflation and other growth / demand. These challenges are properly recognised in the Annual Governance Statement and the Corporate Risk Register, provided as separate agenda items. Whilst these challenges are ongoing and should not be underestimated, we have reviewed the Council's process for developing the Medium Term Financial Strategy and concluded that this process is robust, enabling the Council to identify pressures at an early stage. This should give the Council the best opportunities to put actions in place to reduce pressures as far as possible.

3.6.6 The Transformation Programme is a key control to manage these pressures and our Transformation audit received 'Reasonable' assurance overall. Underpinning financial processes such as payments and income are also important to ensure the sound financial governance of the Council. Whilst we have not undertaken audits of central systems and controls in these areas in 2023/24, we have reviewed payments and income processes within specific departments, such as Parking, Homes for Ukraine and SEND Transport. Parking and Homes for Ukraine received 'Reasonable' assurance and we identified no issues within the

SEND Transport review. We have raised some recommendations around financial control and these are discussed in 3.7.7.

3.6.7 We have also undertaken reviews of specific grant expenditure including Disabled Facilities Grant and Supplementary Substance Misuse Treatment & Recovery Grant. We have certified these grants to confirm that expenditure was in accordance with the terms and conditions of the grant.

3.6.8 Governance of external partnerships has also been an area of strength this year, with positive practice and good examples of collaborative working to achieve common outcomes. Partners interviewed for Domestic Abuse and Community Safety provided positive feedback. There were also examples of excellent working with partners and providers within the Homes for Ukraine and Quality of Adults Residential Care audits, with supportive and collaborative working relationships in place aiming to achieve the best outcomes for service users.

3.6.9 **Diagram 1** on page 10 maps audit assurances to the Council's strategic objectives (Ambitions). Some audits appear more than once, where they cut across different Ambitions. The diagram shows that we have provided assurance across the broad range of objectives and that there has been a range of opinions across all objectives.

3.6.10 For *Ambition 1*, we have chosen to place reliance on the Children's Services Ofsted inspection and the ensuing 'outstanding' opinion across the board. Further, both schools that we have reviewed this year have received 'Reasonable' assurance. There is one 'Limited' assurance opinion relating to the Children and Young People's Mental Health and Wellbeing Contract. Improving the mental health and wellbeing of young people in Bromley is a key strand of the Children Education and Families portfolio plan but we were unable to assess from the contract monitoring information whether the contract was delivering a good service or achieving the desired outcomes. Further commentary on contract management is provided in 3.7.4.

3.6.11 There have been a range of opinions relating to *Ambition 2* this year. Since the last report to Audit and Risk Management Committee, we have issued a 'Reasonable' assurance opinion specifically in relation to Learning Disability reviews and budget monitoring. We have also issued a 'Substantial' assurance opinion regarding the ongoing Quality Assurance (QA) process for residential care placements and providers. This quality assurance process was an example of good practice; providers had been risk-assessed, visits were both supportive and thorough and resultant actions had been followed up. Survey feedback from providers demonstrates that the team delivers a valuable and valued service.

3.6.12 Conversely, the key reason for the 'Limited' opinion for the 'Safeguarding – Procedures and Quality Assurance Processes' audit was also the quality assurance element. We found that whilst there was a strong safeguarding framework in place, and that case file audits had been carried out, resultant actions had not been sufficiently developed and implemented. Staff turnover and vacancies were the main root cause of this gap and the relatively new management team recognise that tasks remain incomplete and the further steps that need to be taken to continually improve practice.

3.6.13 We have noted as part of previous reports to this Committee that other 'Limited' assurance opinions under *Ambition 2* relate to areas which were significantly disrupted during the pandemic. We also reported at the March Committee that the recommendations for 'Domiciliary Care' were almost complete and that actions for 'Discharge to Assess' are also partially implemented.

3.6.14 Assurance opinions for *Ambition 3* have been consistently 'Reasonable' this financial year, notwithstanding the considerable pressures on the Housing Service, as set out in the Annual Governance Statement. Opinions for *Ambition 4* have been largely 'Reasonable' with one

'Substantial' and two 'Limited' opinions (Highways and Domestic Abuse). The one Priority 1 recommendation for Highways has now been implemented. For Domestic Abuse, the key issue was insufficient cross-organisational ownership, awareness and oversight of the Strategy. Officers developed a detailed action plan in response to this recommendation, and many actions have now been delivered.

3.6.15 Under *Ambition 5*, core Authority-wide functions and systems such as those related to finance and personnel are essential enablers to deliver the overarching objectives of the Council. All of our audits in these two areas received 'Reasonable' or 'Substantial' assurance. Audits relating to personnel matters cut across all areas of the organisation and are also important because they provide an insight into organisational culture. All of these audits received 'Reasonable' assurance, including Corporate Health and Safety, which is inherently high risk and recognised as such on the Corporate Risk Register. There is one 'Limited' assurance audit under this ambition which again relates to contract management. Please see paragraph 3.7.4.

Risk Management

3.6.16 **Diagram 2** on page 11 maps audit coverage against the Corporate Risk Register (reported as a separate item on this agenda). We have undertaken specific audits relating to all seven of the net 'High' risks and all of these received assurance of 'Reasonable' or above, with the exception of 'Accommodation move' which was an advisory piece. Members should be aware that our audits do not cover all controls under the listed risks; rather, they focus on specific aspects of the risks. However, the mapping does highlight where Members may gain some assurance on the management of key risks through our work.

3.6.17 During the 2023/24 financial year, the Corporate Risk Register has been reviewed by Chief Officer Executive and Corporate Leadership team on a regular basis and there have been several amends as a result of reviews. Departmental risks are owned by Chief Officers and have been scrutinised by the relevant Policy, Development and Scrutiny Committee. The Corporate Risk Management Group also scrutinised all Departmental risk registers at a special meeting of the group in December 2023.

3.6.18 As noted in the Medium Term Financial Strategy audit report, the Risk Management Framework was last reviewed in 2018 and therefore is overdue for update. In the past year, we have undertaken an analysis against HM Treasury's risk management framework for the public sector and this has highlighted some gaps, including for risk appetite and risk reporting. We have drafted a revised Strategy but there is still further work to do before this can be shared for approval. This additional work is currently planned for June and July 2024.
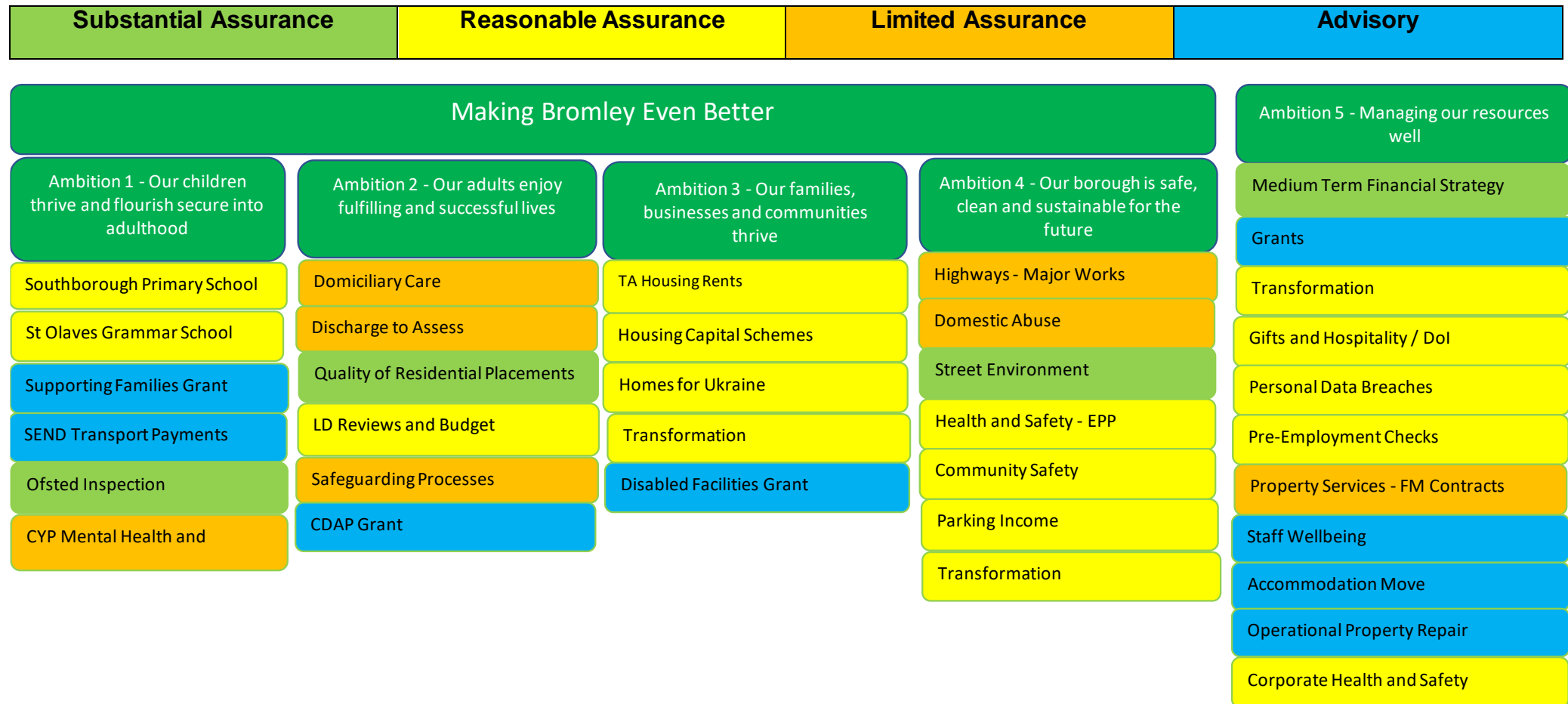
Diagram 1 – Making Bromley Even Better

Key

Substantial Assurance	Reasonable Assurance	Limited Assurance	Advisory

Making Bromley Even Better

Ambition 1 - Our children thrive and flourish secure into adulthood
- Southborough Primary School
- St Olaves Grammar School
- Supporting Families Grant
- SEND Transport Payments
- Ofsted Inspection
- CYP Mental Health and

Ambition 2 - Our adults enjoy fulfilling and successful lives
- Domiciliary Care
- Discharge to Assess
- Quality of Residential Placements
- LD Reviews and Budget
- Safeguarding Processes
- CDAP Grant

Ambition 3 - Our families, businesses and communities thrive
- TA Housing Rents
- Housing Capital Schemes
- Homes for Ukraine
- Transformation
- Disabled Facilities Grant

Ambition 4 - Our borough is safe, clean and sustainable for the future
- Highways - Major Works
- Domestic Abuse
- Street Environment
- Health and Safety - EPP
- Community Safety
- Parking Income
- Transformation

Ambition 5 - Managing our resources well
- Medium Term Financial Strategy
- Grants
- Transformation
- Gifts and Hospitality / DoI
- Personal Data Breaches
- Pre-Employment Checks
- Property Services - FM Contracts
- Staff Wellbeing
- Accommodation Move
- Operational Property Repair
- Corporate Health and Safety

Diagram 2 – Corporate Risk Register

Risk	Current Net Rating	Audit Coverage 2023-24	Outcomes
Failure to deliver a sustainable financial strategy	20	Transformation Medium Term Financial Strategy	Reasonable Assurance Substantial Assurance
Ineffective governance and management of contracts	8	Domiciliary Care Street Environment Property Services CYP Mental health and wellbeing	Limited Assurance Substantial Assurance Limited Assurance Limited Assurance
Failure to maintain and develop IT information systems	8	Social Care System review - fieldwork	Advisory
IT Security	15	Personal Data Breaches	Reasonable Assurance
Failure to maintain robust BC and EP arrangements	8	Supplier BC arrangements reviewed in contract audits	P2 issues raised in separate audits
Failure to deliver effective Children's Services	10	Two schools complete Ofsted Jan 2024 SEND Transport Provider Payments CYP Mental Health and Well Being Contract	Reasonable Assurance Outstanding Advisory Limited Assurance
Temporary Accommodation	16	TA and Housing Rents	Reasonable Assurance
Failure to deliver Transforming Bromley Programme	15	Transformation	Reasonable Assurance
Climate Change	8	None – Net Zero in 2022/23	Reasonable Assurance in 2022/23
Health and Safety (Fire and First Aid)	15	ECS Health and Safety Corporate Health and Safety	Reasonable Assurance Reasonable Assurance
Homes for Ukraine and other Refugee Programmes	16	Homes for Ukraine	Reasonable Assurance
Capital Financing Shortfall	12	Housing Capital Schemes	Reasonable Assurance
Operational Property Repair – Budget and Buildings Failure	12	Advisory work as required	NA
Recruitment and Retention	9	Recruitment and Retention in progress	TBC
Accommodation Move to Direct Line Building	16	Advisory – initial governance review	Advisory

3.7 Recommendations Raised and Themes Emerging

3.7.1 In total, we raised 103 recommendations across our audits (excluding advisory work) in 2023/24. 13 of these recommendations related to schools; these audits tend to have a higher number of lower level recommendations.

3.7.2 We have analysed the recommendations made against a 'Governance Assurance' model devised by Local Authority Chief Audit Executives. This model, depicted in **Diagram 3**, sets out eight core facets of governance, which, put together, provide a reasonable basis of assurance to assess the overall governance health of the Council.

Diagram 3 – Governance Assurance Model

3.7.3 **Table 2** below sets out the numbers of recommendations raised in 2023/24, and the associated priority ratings, relating to each of these facets in 2023/24. Some recommendations relate to more than one facet and have been recorded as such.

Table 2 – Breakdown of audit recommendations

	Priority 1	Priority 2	Priority 3
Risk Management	0	4	4
Corporate Governance	1	10	4
Financial Control / Value for Money	2	8	8
Commissioning, Procurement and Partnerships	2	12	2
Change Management / Programmes / Projects	0	2	7
Asset Management	0	4	1
Information Governance	0	8	2
Counter Fraud	0	4	2

<u>Contract Management</u>

3.7.4 One of the key areas of recommendations from Table 2 is Contract Management. We have raised this as a theme in progress reports throughout the year and also in the 2022/23 Annual Report. As a 'Commissioning Authority', effective contract management is crucial for the Council to achieve its objectives and deliver value for money, as many services are outsourced. Outcomes of contract management and related audits have however been mixed this year, with one 'Substantial' and four 'Limited' assurance audits.

3.7.5 The 'Substantial' assurance relates to a single, high value contract, with well-established processes and structures in place. Two of the 'Limited' assurance contract audits (Facilities Management and Domiciliary Care) relate to a series of smaller value contracts with a variety of smaller providers. In both of these audits, we found that specifications and contracts themselves were well-designed but the issues we raised related to performance monitoring and quality oversight in practice. Similarly, we found for the Children and Young People's Mental Health and Wellbeing contract, that although monitoring and management processes were in place, the actual information submitted by the provider did not allow those overseeing the contract to properly assess whether it was achieving the objectives of the specification or achieving outcomes for service users.

3.7.6 We understand that the Council will be providing further training for contract managers. We recognise that contracts will always need to be managed in a manner proportionate to their risk, profile and value but the Council will need to support all contract managers via training and other means to ensure that contracts represent value for money and achieve the desired outcomes and objectives.

<u>Financial Control / Value for Money</u>

3.7.7 We raised two Priority 1 recommendations relating to financial control / value for money. One of these (Highways) was in relation to contract payments and has now been implemented. The other was regarding budget management and oversight within the 'Discharge to Assess' audit and this recommendation is partially implemented. We have also raised Priority 2 recommendations in a small number of non-schools audits regarding budget oversight. Whilst, as mentioned in 3.6.5, the Council's financial planning process was found to be robust, it is important that careful budget oversight is maintained throughout the year, to provide early warning indicators and enable remedial action to be taken as soon as possible.

<u>Corporate Governance</u>

3.7.8 We raised one Priority 1 issue relating to cross-organisational oversight of the Domestic Abuse Strategy, as referenced in 3.6.14. There are also a number of Priority 2 recommendations which mainly fall under two themes but split across several different areas. Five relate to declarations of interest, including three for our specific Declarations of Interest / Gifts and Hospitality audit and one each at the two schools that we reviewed. Four relate to reviewing the Terms of Reference for specific groups / boards / forums across the Council. We found in our audits that Terms of Reference are not consistently reviewed on a regular basis to ensure that they remain fit for purpose and aligned to current objectives.

3.7.9 There are no Priority 1 recommendations against any of the other five facets of the model. However, analysis of audit recommendations has identified the following additional themes, which were also reported in our March progress report to this Committee.

<u>Provider Business Continuity Plans</u>

3.7.10 We have found in some audits that provider business continuity plans have not always adequately considered or mitigated business continuity risks. Some smaller providers in particular may need signposting to further guidance and support on how to develop a robust business continuity plan and the interruption risks they should consider, including cyber risk. Whilst BC plans are ultimately the provider's responsibility, there are significant associated risks for the Council as supplier business continuity failure may incur additional costs, service delivery failure or reputational damage for the Council. Whilst the Council has developed a 'Supplier Business Continuity Checklist', recent conversations with officers have found that not all are aware of this control and therefore the checklist may need re-promoting.

<u>Performance Management</u>

3.7.11 We have raised recommendations this year in relation to performance management and monitoring. There are two aspects to these recommendations. Firstly, there needs to be clarity around the desired or expected standard of performance (what level are we aiming for and what does that look like?). Secondly, once the desired standard of performance has been established, ensuring that appropriate information is available and used by managers to enable them to understand whether or not this standard is being achieved.

3.7.12 Quality Assurance (QA) processes in general have been a consistent audit finding over the past two financial years and this theme has continued into 2023/24. Our recommendations have related to quality assurance processes not being clear, documented quality assurance processes not happening in practice and insufficient remedial action where deficiencies are identified through quality assurance processes. As referenced in 3.6.11, we have also identified a strong example of positive quality assurance practices with the Adults Residential Care QA Framework.

<u>Data Quality</u>

3.7.13 Data quality is inherently linked to performance management, as the effectiveness of performance management is dependent on the quality of the data using for management and monitoring purposes. Throughout the year, we have raised issues around the quality of information recorded in systems, the need to data cleanse or the completeness of the data recorded and / or reported.

<u>Policies and Procedures</u>

3.7.14 As with the 2021/22 and 2022/23 financial years, we continue to raise issues regarding policies and procedures which either have not been reviewed for some time or have not been reviewed in line with pertinent changes. For example, we have raised recommendations where systems had changed but the policies and procedures had not been updated to reflect the new systems or the associated processes. We also found policies that had not been updated for several years. In addition, we frequently find that policies do not have a stated owner / author or set out the expected frequency of review. This means that updates can be overlooked as there is no clear timescale or accountability.

Looking back at the 2022/23 Annual Report

3.7.15 In the 2022/23 financial year, we raised the following themes within the Annual report concerning the recommendations that we had made throughout the year. We have provided an update on these areas for 2023/24 in **Table 3**. Please note that, as Internal Audit reviews different areas each year, the update can only be indicative and based on the areas that we have reviewed in the current financial year. The update does not provide absolute assurance as to the direction of travel.

Table 3 – Looking back on 2022/23

2023/23 Themes	2023/24 Indicative Direction of Travel	Comments
Policies and Procedures	↔	Please see 3.7.14
Contract Management	↔	Please see 3.7.4
Information Governance and Information Systems	↑	We have closed the majority of related recommendations and our audit of Personal Data Breaches was 'Reasonable' assurance. We continue to raise recommendations regarding data quality and recording – please see 3.7.13.
Training	↑	We have raised less recommendations on training in 2023/24 (although we have raised four) and some relevant recommendations have been closed in year. A 'Learning and Development' audit is planned for 2024/25 which will provide a more complete picture.
Reconciliations	↑	Recommendations made in 2023/24 have been lower risk / priority.
Counter Fraud and Corruption	↑	Please see 3.9.2
Quality Assurance	↔	Please see 3.7.12
Staff and Resources	↔	Staff vacancies / absences continue to be cited as a root cause for some issues raised. Auditors have also noted that they are experiencing increasing difficulties with obtaining information from services, due to multiple pressures on staff time.

3.8 Follow-up of Recommendations Raised

3.8.1 Follow up is an important part of internal audit work. It contributes towards the Annual Opinion because it informs the extent to which risks identified during the course of internal audit work have subsequently been mitigated. Timely remedial action is also indicative of a healthy culture.

3.8.2 We follow up all recommendations and report progress to senior officers and Audit and Risk Management Committee. Follow-up work, monitoring and reporting are proportionate to the level of risk and we undertake more follow up testing for higher risk recommendations. We report follow up of Priority 1 recommendations quarterly to Chief Officer Executive and Corporate Leadership Team. We report follow up of Priority 2 and 3 recommendations on a six monthly basis. Definitions of our priority ratings are set out in **Appendix B**.

3.8.3 Due to the short period of time since the 28 March Audit and Risk Management Committee, when status was last reported, we have not undertaken any further follow up on Priority 1 recommendations. As a summary reminder, there were four open Priority 1 recommendations as at the 2022/23 Annual Opinion, all of which are now closed. Between July 2023 and March 2024, we raised a further six Priority 1 recommendations. One of these is fully closed and the remaining five are partially implemented, with some associated actions not yet due.

3.8.4 **Appendix C** provides a summary status of all the Priority 2 and 3 recommendations that were due to be followed up in Quarters 3 and 4 of the 2023/24 financial year. We have now fully closed all recommendations relating to 13 audits from previous financial years and two 2023/24 audits. For several other recommendations, the service has advised us that the recommendation has been implemented but has not yet provided the necessary evidence or clarifications to enable us to close these off.

3.8.5 Across the whole financial year, 81% of Priority 2 and 3 actions due have been implemented, against a target of 80%. This is broadly similar to the 2022/23 outturn, where 79% of recommendations due had been implemented. We have noticed however that it has been more difficult this year to obtain the necessary responses and information to close recommendations down which has added to the workload of the team. During the 2024/25 financial year, we will be discussing with Chief Officer colleagues how we can improve this process moving forwards.

3.9 Counter Fraud and Investigations

3.9.1 Internal Audit works in partnership with the Royal Borough of Greenwich in respect of Counter Fraud Investigations. A detailed summary of referrals made and work undertaken in 2023/24 is provided in the Counter Fraud report as a separate agenda item. There were no cases of internal fraud or whistleblowing cases reported to Internal Audit.

3.9.2 We have raised less recommendations relating to counter fraud controls in 2023/24 than in 2022/23 (in 2022/23 we raised two Priority 1 recommendations for counter fraud controls) which is a positive direction of travel. We have also received a more diverse range of requests for advice in relation to fraud matters, from across the Council. Whilst this may indicate that officers are more aware of fraud risks, fraud awareness is an ongoing challenge and we will need to consider how to further develop and maintain awareness into 2024/25.

3.10 Advisory Work

3.10.1 Internal Audit is both an assurance and a consultancy function. As set out in our Charter, Internal Audit resource is sometimes better focused on providing advisory services rather than a formal assurance audit. Typically, these consultancy reviews are undertaken when changes are being implemented or designed, or during project work. In order to maintain organisational independence, Internal Audit does not assume management responsibility for the design or implementation of controls.

3.10.2 In the 2023/24 financial year, we have undertaken an initial governance review of the Accommodation Move programme. We have also met regularly with lead officers for the Operational Property Review, and we have had access to all Programme and Project Board papers. We also provided input into the Council's self-assessment in preparation for the Wellbeing at Work accreditation, which has now been achieved. There are no issues arising to bring to Members' attention.

3.10.3 We have also undertaken a lessons learned review of the Council's implementation of the social care case management system and made advisory recommendations for future systems, all of which have been accepted by Chief Officer Executive.

3.10.4　Internal Audit is also available to provide ad hoc advice to officers as required. Throughout the year, we have offered advice on a range of matters as requested, including in relation to specific pre-employment and grant application controls, and financial controls in schools. Officers have accepted our advice and there are no significant unmitigated risks arising from our ad hoc work that would impact on the annual opinion.

3.11　Head of Audit – Annual Opinion

3.11.1　Taking into account the information presented in this report, my overall opinion for the 2023-24 financial year is that there is "**Reasonable**" assurance over systems of risk management, governance and control. The scale of opinions is provided in **Appendix B** where "Reasonable" is defined as "There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk." This overall opinion remains the same as that provided for 2021/22 and 2022/23.

3.12　Professional Internal Audit Standards and Quality Assurance

3.12.1　Audit and Risk Management Committee has an important oversight role in the quality and effectiveness of Internal Audit. Members of the Committee must assure themselves that Internal Audit makes a valuable contribution to the organisation's governance and that stakeholders can place reliance on its conclusions.

3.12.2　To facilitate this quality oversight role, Internal Audit is required by professional standards to maintain a Quality Assurance and Improvement Programme, containing a mixture of mechanisms to assess its quality, achievement of objectives and compliance with professional standards. These arrangements consist of an annual self-assessment of the service against professional standards, key performance indicators, client satisfaction questionnaires and an external assessment (EQA) at least once every five years by a suitably qualified, independent assessor.

3.12.3　The last EQA took place at the start of the 2023/24 financial year with the full report presented to Audit and Risk Management Committee in July 2023. Overall, the assessor concluded that the service was 'partially conformant' with the Standards, in line with the conclusions of the internal self-assessment presented to Audit and Risk Management Committee in June 2022. Over the past two years, we have been working through a Quality Action Plan and I now consider that we have made sufficient progress in order to conclude that the service is, overall, 'generally conformant' with professional standards. The Quality Action Plan (including a progress update) is provided at **Appendix D**.

3.12.4　There are still areas where further work is required. In particular, the service needs to develop more data analytics capabilities, complete the fraud risk assessment and develop assurance mapping across the organisation. These are all areas which are also given more prominence in the new Global Internal Audit Standards. These actions have been difficult to properly progress over the past year due to staff turnover and sickness absence however, they have all been included in team and staff objectives for the forthcoming year.

3.12.5　We routinely ask the lead audit client to complete a customer satisfaction survey at the end of each audit (both for those delivered in house and those delivered by external contractors). In November 2023, we reviewed and updated the survey to encourage more responses as low response rates have historically been an issue. We have seen an uptick in responses since November, albeit we would still like more completed surveys.

3.12.6　The client feedback we have received has consistently stated that auditors have been professional and helpful, reports have been accurate and that the necessary assurances on risks and controls have been provided. Feedback has been more mixed regarding the

timeliness of reporting and our own Key Performance Indicators (see Table 2 below) reinforce that we need to improve timely delivery. Feedback also indicates that in some cases we need to ensure that our audit reports are clearer in their messaging. We have revised the report template and guidance in the 2023/24 financial year to improve the clarity of reports. Going forwards, we will also explore the use of visuals to make our reports more impactful.

3.12.7 Key Performance Indicators (KPIs) for the Internal Audit Service are shown in **Table 4** below. These were agreed by Members of the Audit and Risk Management Committee in March 2023, for the 2023/24 financial year. The KPI out-turns for 2023/24 show that overall, managers have accepted internal audit recommendations (including all Priority 1 and Priority 2 recommendations). The percentage completion of the Plan is also at target. This indicator is for completion against the final Plan agreed by Audit and Risk Management Committee after all in-year approved adjustments are taken into account. Client satisfaction is also at target and is discussed further in 3.12.6 above.

3.12.8 The percentage of agreed management actions implemented is slightly below target for Priority 1 recommendations but, these recommendations tend to be more complex, containing multiple actions which are not all completed at the same time. We do not have any concerns at present with the open Priority 1 recommendations.

3.12.9 We are also below target for completion of the core training and development plan that we set out at the start of the year, following on from appraisals and objective setting. In calculating this indicator, I have not taken into account development that was agreed for staff who have since left the section. The low figure is due to the impact of staff sickness and turnover during the year. Long term sickness has made it difficult for individuals to access training but sickness and vacancies have also meant that it has been more difficult to organise whole team training events. Any training and development not completed that is still appropriate has been carried forward to the 2024/25 training and development plan.

3.12.10 The other indicator below target is the draft report date achieved. Although this is slightly up on the figure presented in March 2024 (22%) we are still not delivering as many reports on time as we would like. This is partially due to ways of working and partially due to unrealistic target dates in the first instance. It is also due in some cases due to delays receiving information from audit clients in order to start or complete fieldwork. We will be revising our processes to address all of these issues as part of our work to implement the new Global Internal Audit Standards (see paragraph 4.1.1 below).

4.2 **Table 4 – Key Performance Indicators**

	Description	Target / Measure	2023/24 Year end outcome
Management Actions	Percentage of recommendations accepted by management	90%	96% (all P1 and P2 recommendations accepted)
	Percentage of agreed management actions implemented	80%	P2 & 3 – 81% P1 – 75%
Efficiency	% of audit plan delivered	90%	94%

	Target draft report dates achieved (from date on final Terms of Reference)	75%	24%
Value to organisation	% client satisfaction	90%	90%
	Coverage of high and significant corporate risks	Provided via assurance map	See Diagram 2, p11
	Coverage of strategic objectives	Provided via assurance map	See Diagram 1, p10
	Compliance with PSIAS (provided via internal self assessment and External Quality Assessment)	Generally Conforms (to PSIAS)	Generally conforms
People Development	Completion of core training and development plan by financial year end	90%	63%

* This is the number of audit days completed by the publication of Committee papers as a percentage of planned days (adjusted for those where Members have approved deferral / cancellation as set out in Table 1).

Global Internal Audit Standards (GIAS)

4.1.1   We advised Members at the 28 March Audit and Risk Management Committee that new Global Internal Audit Standards (GIAS) had been released which represented some significant changes from the previous Standards and which would be applicable from January 2025. We also advised that the UK Public Sector Internal Audit Standards Advisory Board (IASAB) were considering whether any public sector overlay or guidance would be required in addition to the Global Standards.

4.1.2   The IASAB has now announced that it will develop further material in consultation with practitioners and other stakeholders. Draft material is planned to be issued for consultation in September 2024 with final material issued by the end of 2024. The implementation date will be 1 April 2025. We anticipate that the focus of this additional material will be on the specific 'Domain' in the GIAS which relates to governing the Internal Audit Service.

4.1.3   We expect therefore to bring a further update and a more detailed explanation of changes to the November Audit and Risk Management Committee. In the interim, we will be undertaking a gap analysis against the remaining four 'Domains' of the GIAS and developing an action plan for those standards where we are not already conforming. Any actions outstanding from the current Quality Action Plan (Appendix D) will be carried forward to the new action plan, where they are still relevant.

4.   IMPACT ON VULNERABLE ADULTS AND CHILDREN

Some of the findings identified in audit reports will have implications for both adults and children in respect of audits that have been undertaken in both Adult and Children's Services.

5.   TRANSFORMATION/POLICY IMPLICATIONS

Some of the findings identified in the audit reports may have policy implications.

6.   FINANCIAL IMPLICATIONS

Some of the findings identified in the audit reports may have financial implications.

7.   LEGAL IMPLICATIONS

Under the Accounts and Audit Regulations 2015, the Council is required to maintain an effective internal audit function to provide assurance on the effectiveness of risk management, control and governance processes, taking into account public sector internal auditing standards and guidance. The Annual Opinion is a requirement of these standards.

8.   PROCUREMENT IMPLICATIONS

Some of the findings identified in the audit reports may have procurement implications.

Non-Applicable Headings:	Personnel Implications Property Implications Customer Impact Carbon Reduction / Social Value Implications Impact on the Local Economy Impact on Health and Wellbeing Ward Councillor Views.
Background Documents: (Access via Contact Officer)	None