

MUNICIPAL YEAR 2019/2020 REPORT NO. 28

MEETING TITLE AND DATE:

Audit and Risk Management
Committee
19 June 2019

REPORT OF:

Director of Law and Governance

Contact officer and telephone number:
Gemma Young
07900 168938

Agenda - Part:	Item: 11
Subject: Internal Audit Annual Report 2018/19	
Wards: All	
Cabinet Member consulted:	N/A

Email: gemma.young@enfield.gov.uk

1. EXECUTIVE SUMMARY

1.1 The Annual Report summarises the work that the Internal Audit service has undertaken during 2018/19. The detailed report is attached.

1.2 Based on the work undertaken during 2018/19, the opinion of the Head of Internal Audit and Risk Management is that there is *Reasonable Assurance* over the arrangements for governance, risk management and internal control in the London Borough of Enfield.

1.3 This work contributes to the overall control environment of the Council and supports the Annual Governance Statement.

2. RECOMMENDATIONS

2.1 Members are asked to note the work completed by the Internal Audit team during 2018/19, the key themes and outcomes arising from this work and the Head of Internal Audit and Risk Management's annual opinion on the system of internal control for the Council.

3. BACKGROUND

3.1 Each year the Audit and Risk Management Service prepares an annual report summarising its internal audit activities and findings during the previous year, drawing key comparisons to previous years and highlighting the annual audit opinion of the Head of Internal Audit and Risk Management.

4. ALTERNATIVE OPTIONS CONSIDERED

N/A – there are no other options.

5. REASONS FOR RECOMMENDATIONS

Members are asked to note the contents of the Annual Internal Audit Report 2018/19

6. COMMENTS FROM OTHER DEPARTMENTS

6.1 Financial Implications

There are no financial implications arising directly from a review of the Internal Audit Annual Report 2018/19.

6.2 Legal Implications

The Council's chief finance officer (the 'Section 151 officer' – section 151 Local Government Act 1972) has statutory status and is responsible for financial administration. The chief finance officer is also under a statutory duty to issue a formal report if s/he believes that the Council is unable to set or maintain a balanced budget (the 'section 114 report' (section 114 Local Government Finance Act 1988).

The Accounts and Audit Regulations 2015 (the '2015 Regulations') places an obligation on local authorities to maintain a system of internal audit whereby it:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

The internal audit must be 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.

Each financial year the council must conduct a review of the effectiveness of the system of internal control required by regulation and prepare an Annual Governance Statement.

This report addresses the statutory obligations under the statutory obligations for local audit processes in compliance with the 2015 Regulations.

6.3 Property Implications

There are no property implications to this report, aside from specific findings and actions included in internal audit reports issued during the year.

7. KEY RISKS

Any large complex organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate risks it may face.

This report has been completed as part of the Council's Risk Management Strategy

8. IMPACT ON COUNCIL PRIORITIES - CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD

8.1 Good Homes in Well-Connected Neighbourhoods

An effective Audit and Risk Management Service helps to provide assurance over any risks that might adversely affect the delivery of good homes in well-connected neighbourhoods.

8.2 Sustain Strong and Healthy Communities

An effective Audit and Risk Management Service will help the Council achieve its objectives to sustain strong and healthy communities

8.3 Build our Local Economy to Create a Thriving Place

An effective Audit and Risk Management Service will help the Council achieve its objectives in building the local economy and creating a thriving place.

9. EQUALITIES IMPACT IMPLICATIONS

Corporate advice has been sought regarding equalities and an agreement has been reached that it is not relevant or proportionate to carry out an equalities impact assessment/analysis for this report.

10. PERFORMANCE AND DATA IMPLICATIONS

An effective Audit and Risk Management Service is an essential part of the performance management of the Council's services and activities

11. PUBLIC HEALTH IMPLICATIONS

This report has no direct impact on public health.

12. Background Papers

None



London Borough of Enfield

Internal Audit Annual Report 2018-19

June 2019

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I. Annual Opinion

Introduction

Internal Audit provides assurance to all levels of management about the adequacy and effectiveness of operations, compliance with laws and regulations, accuracy and reliability of management reporting, and the safeguarding of assets and other interests. Internal Audit fulfils this role by undertaking a range of independent reviews which evaluate the Council's internal control framework. Where necessary, recommendations for improvement are agreed with managers to introduce good practice throughout the Council.

The Public Sector Internal Audit Standards require the Head of Internal Audit & Risk Management to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit & Risk Management Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in **Appendix 4**. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

This report forms an important part of the Annual Governance Statement, which is a key requirement of the Council's annual accounts.

Head of Internal Audit and Risk Management's Annual Opinion

The Audit & Risk Management Committee agreed to an internal audit plan covering 60 subject areas. I am satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

My opinion for 2018/19 is as follows:

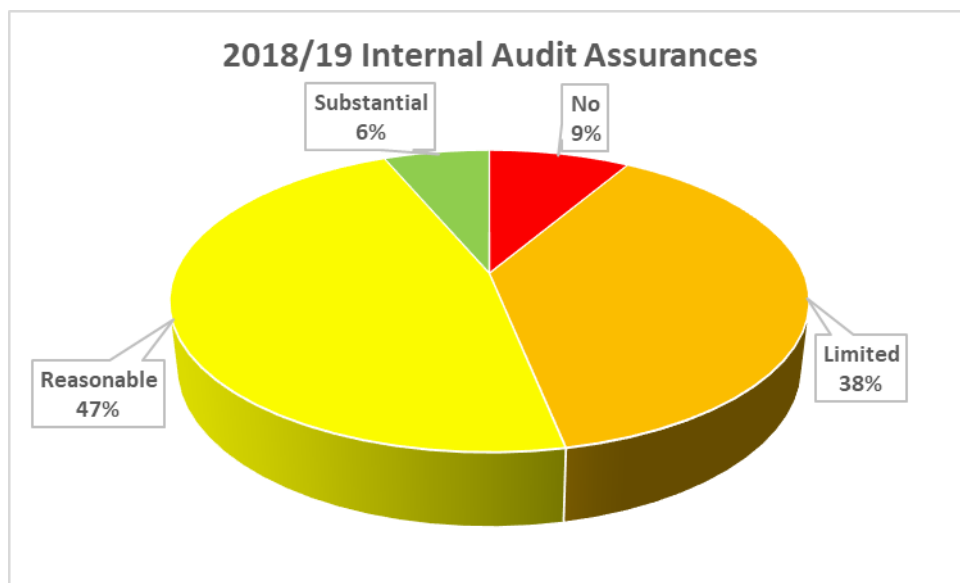
Reasonable Assurance

The opinion of the Head of Internal Audit and Risk Management is that the arrangements for governance, risk management and internal control provided *Reasonable* assurance that material risks, which could impact upon the achievement of the Council's services or objectives, were being identified and managed effectively. However, there are some areas of inadequacy or non-compliance that potentially put the achievement of objectives at risk. Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and internal control.

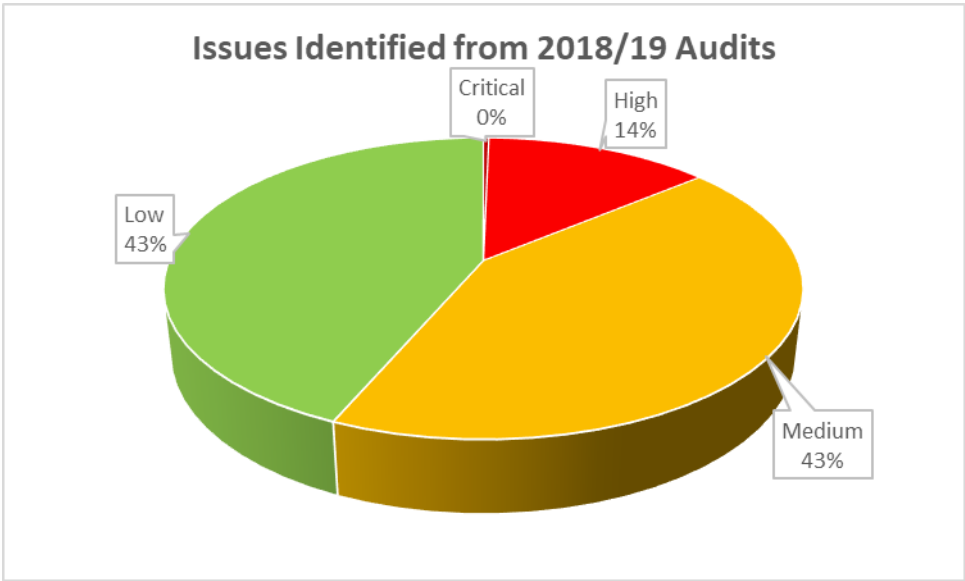
Basis of the opinion

The Head of Internal Audit and Risk Management's opinion is based on the following:

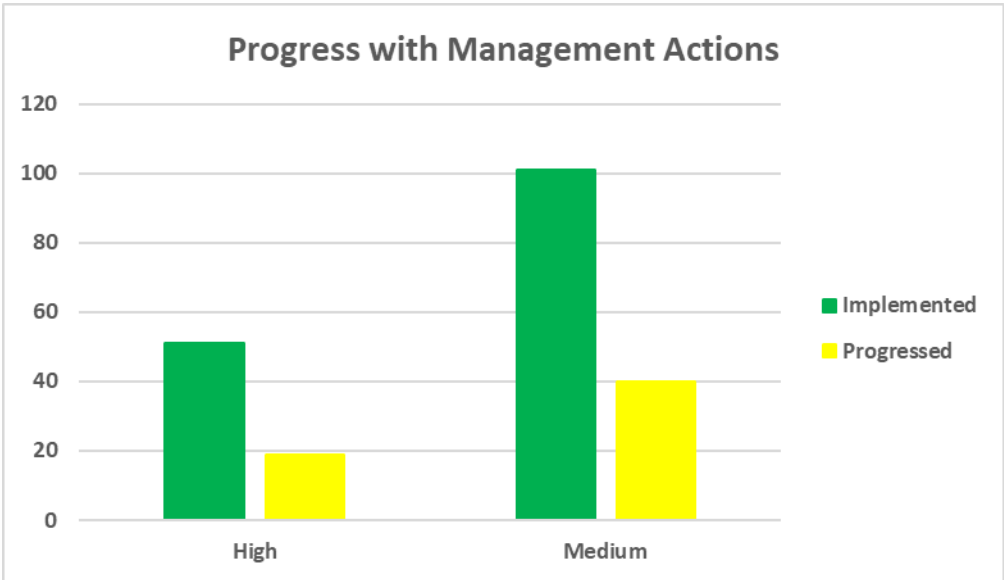
- The Council's internal audit plan covered both the Council's key processes and systems and those operating in Enfield's schools. During the year, 60 audits were undertaken from which 47 assessments were made to provide an assurance opinion over the operation of the governance, risk management and internal controls in operation. Definitions of audit assurance opinions are provided at **Appendix 2**. The following chart summarises the assurance opinions identified:



- There were 25 reviews for which *Substantial* or *Reasonable* assurance opinions (53%) were provided, and 18 *Limited* assurances (38%). 4 of the audits received *No* assurance opinions during 2018/19. This represents a downward trend since 2017/18 when 81% of assurances were positive and 19% were negative. In 2017/18 no audits received a *No* assurance opinions. Opinions were based on the number of findings identified during the reviews, which were prioritised according to risk exposure.
- Ten key financial systems were audited in 2018/19. Positive assurance opinions were provided for nine of the systems, including *Substantial* assurance for two key systems: Accounts Payable and Housing Rents.
- 301 issues were identified from the work of internal audit including 1 of which was assessed as a critical risk, 41 of which were assessed as high risk, 128 as medium risk and 131 as low risk. This is summarised in the following chart:



- Internal Audit has tracked progress made to implement 211 agreed actions with target dates up to 31 March 2019. By the date of this report, 73% of high risk actions and 72% of medium risk actions have been implemented, providing assurance that the majority of risks identified in previous years have been mitigated. This represents a slight deterioration in the implementation rate compared to 2017/18, when 76% of high risk and 71% of medium risk actions were fully implemented. Progress is summarised in the following chart:



Appendix 1 provides a breakdown of assurances and issues for all assignments undertaken during 2018/19. Definitions of the assurance ratings and risk priorities can be found at **Appendix 2**. Key findings and themes identified during audit work are set out in **Section III**.

II. Analysis of Internal Audit Work

Overview of work done

The internal audit plan was designed to be flexible, and reviews have moved in and out of the work programme during the year to accommodate the Council's changing risk profile and ability to obtain assurances from other reliable sources. Conscious of the significant pressure on resources that the Council faced, internal auditors continued to support management by identifying potential process efficiencies and streamlining controls wherever possible. This resulted in reduction of 11 reviews from the agreed audit plan of 52 audits. However, 19 new assignments were undertaken to substitute for some of the cancelled or deferred audits, resulting in a total of 60 assignments undertaken in 2018/19. The changes were notified to Audit and Risk Management Committee during the year and have not impacted upon the assurance opinion for key risks across the Council (see **Appendix 3** for further details).

At 31 March 2019, Internal Audit delivered **100%** of the internal audit plan to draft report stage against the target of 95% that was set out in the Internal Audit Charter. In achieving this, internal auditors were independent of the areas audited and did not experience any significant limitations or restrictions on the scope of their activity. However, it should be noted that the Head of Internal Audit & Risk Management has responsibility for services which, although related, are outside of the remit of the internal audit service, namely Insurance and Risk Management services. To avoid potential impairment of objectivity, these services are risk assessed alongside other Council services in formulating the internal audit plan, and where reviews are required they are undertaken by the Council's independent partner, PwC.

The Head of Internal Audit & Risk Management attended departmental management team, Assurance Board and Executive Management Team meetings during the year, to present progress on planned and ongoing internal audit work, including tracking of recommendations. This involvement enabled Internal Audit to provide early input on risk management and internal control matters for key activities and projects.

As one of the founder members of the Cross Councils' Assurance Service (CCAS), the Internal Audit function has operated a co-sourced model in partnership with PwC. This continued to provide the Council with the ability to access specialist resources as required, to provide assurance over emerging and complex risks.

Throughout the year, internal audit activity has conformed to the Public Sector Internal Audit Standards, as confirmed by an independent peer review of the service, which was undertaken by the London Borough of Croydon in April 2015. This concluded that the Council's internal audit service 'fully conforms' with the Public Sector Internal Audit Standards, and achieves the outcomes described in the Definition of Internal Auditing and Code of Ethics. The outcome of the review, including a quality assurance improvement plan was presented in the Internal Audit Annual Report for 2014/15. The next independent review will be undertaken in 2019/20.

The work of the Council's Counter Fraud team is reported to the Audit & Risk Management Committee via a separate report.

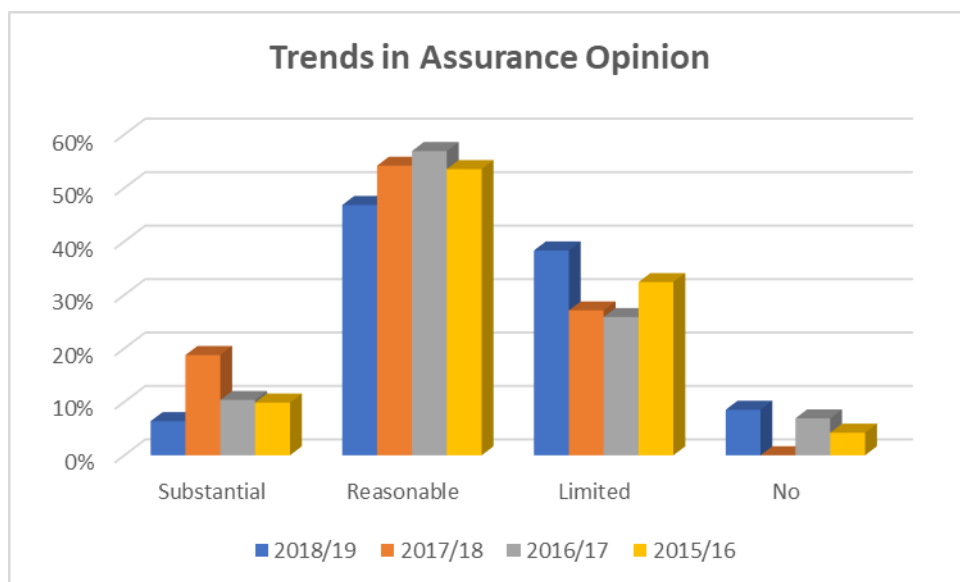
Audit outcomes

Where subject areas could be assessed from testing of control design and effectiveness, they have been given an assurance opinion, ranging from *Substantial* to *No* assurance. Definitions of assurance opinions are provided in **Appendix 2**. Where it has not been appropriate to provide an opinion, audit work has been reported in the form of a management letter, which may include an action plan for improvement, depending on the nature of the work. Results have been reported in the form of a management letter for the following types of assignment:

- Review of grant claims and the Mayor's Charity statements;
- Follow-up of managers' progress with the implementation of recommendations from previous audit work;
- Where the system of control had changed recently, such that there was insufficient evidence of current controls in operation to facilitate testing of their effectiveness;
- Where management requested internal audit advice to assist in the design of a new or improved control framework;
- Where management requested internal audit review to analyse or investigate areas of concern or known weakness and advise on the improvements needed.

Trends

We noted several areas of good practice throughout the Council and gave *Substantial* or *Reasonable* assurance for 53% of the internal audits assessed. This is a downward trend on 2017/18 when 73% of audits achieved positive assurances. The level of *Limited* assurance opinions has increased from 27% in 2017/18 to 38% in 2018/19. 4 audits were assessed as *No* assurance - an increase since 2017/18 when there zero *No* assurance audits. Assurance opinions for audits assessed over the last four years are shown in the following chart:

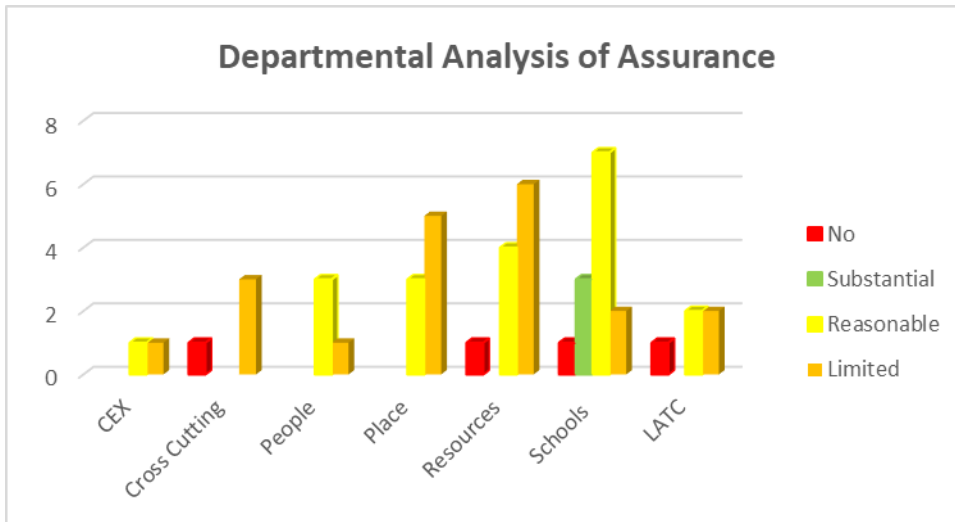


A good control environment continued to govern the Council's key financial systems and we are pleased to report that there was *Substantial* assurance for two out of ten key financial

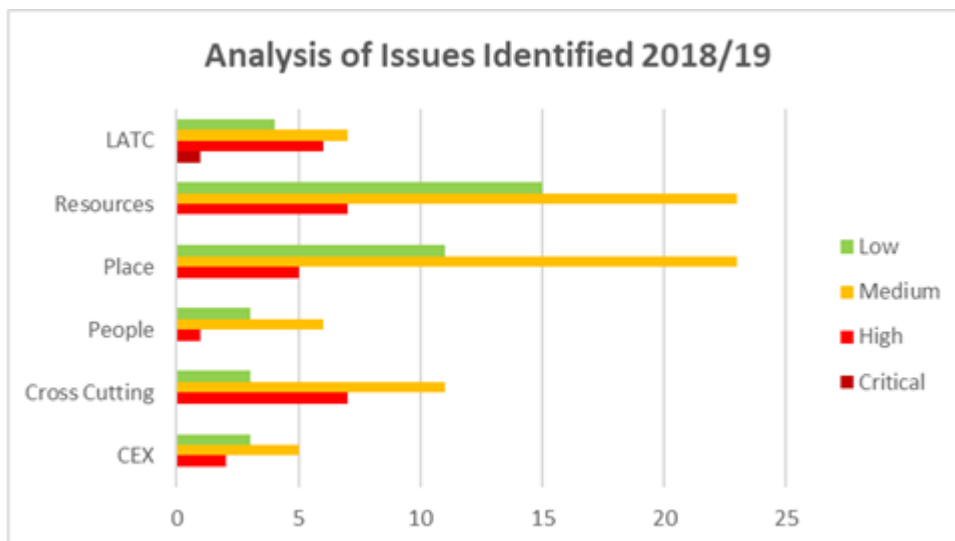
systems: Accounts Payable and Housing Rents. These systems have maintained control levels since 2017/18.

Departmental Outcomes

Analysis of audit assurance opinions for each of the Council's departments is provided in the following chart:



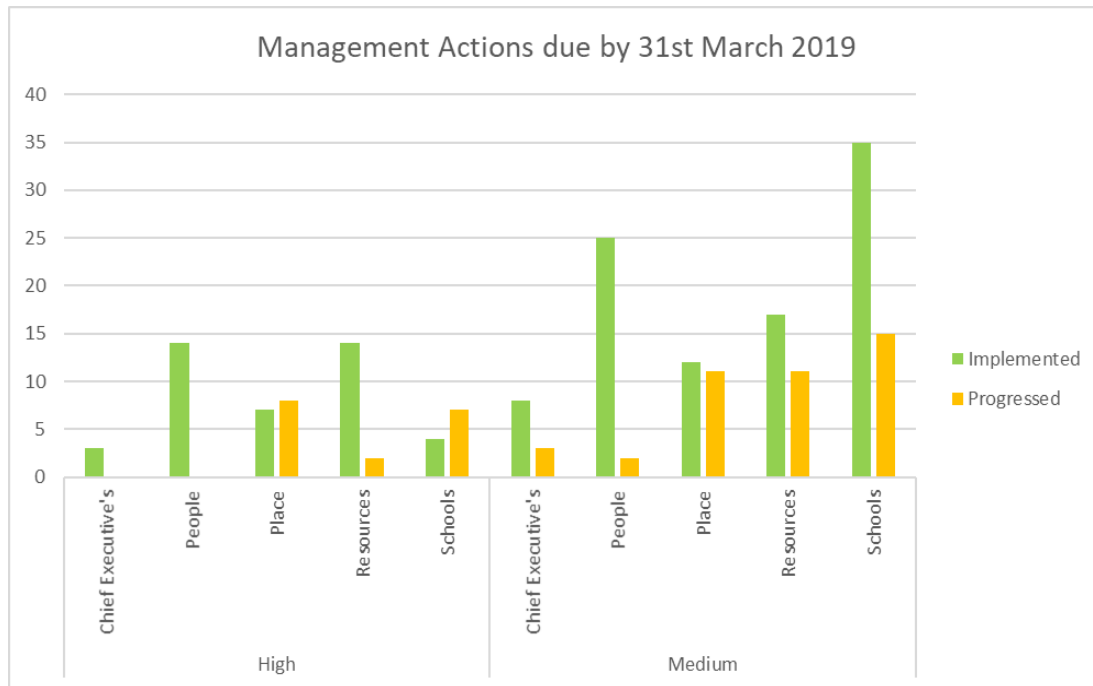
In total 301 actions for improvement have been discussed and agreed with management, including 1 addressing a critical risk finding and 41 addressing high risk findings.



Of the total 295 issues, 139 areas were identified for improvement in schools. This was made up of 9 issues categorised as high risk, 46 medium risk and 90 low risk.

Progress with management actions

211 agreed management actions were followed up during the year. The following chart summarises managers' progress with the implementation of actions that were due to be operational by 31 March 2019. Overall, 73% of high risk and 72% of medium risk actions have been fully implemented. The remainder have been progressed but not fully completed.



III. Key themes identified

During 2018/19 there has continued to be a good level of engagement between Internal Audit and senior management, which has enabled the Internal Audit team to focus on key areas of risk as well as work closely with management to formulate actions to address areas where improvement is required.

We have identified areas of good practice and noted an effective control environment across most of the systems, processes and establishments reviewed. This includes the Council's key financial systems, described in more detail below.

Governance arrangements

Several areas were identified where further improvements are required to strengthen the governance environment. In particular, audits relating to contracts identified the continued need to improve oversight of procurement and subsequent management of contracts.

Risk management

The Audit and Risk Management Service continues to embed risk management into the organisation. In particular, the risk management strategy was refreshed and a detailed risk management plan was devised. Additionally, a Corporate Risk Register has been developed and will be presented to the Audit and Risk Management Committee in a separate paper.

Internal control

The reviews where significant areas for improvement were identified are summarised in the following table. Four *No* assurance opinions were issued in 2018/19 and 18 *Limited* assurance opinions.

Dept.	Audit	Assurance Level	Actions			
			Critical	High	Medium	Low
Cross Cutting	Capital budget management	No	-	3	2	-
LATC	Safe and Connected – Sheltered Housing	No	1	1	3	-
Resources	Home Care/Support	No	-	3	5	1
Schools	Bishop Stopford's School	No	-	4	12	5
Cross Cutting	Fees and Charges (Commercialism)	Limited	-	1	4	2
Cross Cutting	Leavers	Limited	-	1	3	1
Cross Cutting	Voluntary Organisations	Limited	-	2	2	-
CEX	Ethical Standards	Limited	-	2	1	1
LATC	HGL - Repairs and Maintenance	Limited	-	1	3	2
LATC	IWE Bridgewood House	Limited	-	3	-	-
People	Pupil places	Limited	-	1	-	-
Place	Communal assets	Limited	-	1	7	-
Place	Housing Capital Projects - Major Works and Estate Renewal	Limited	-	2	4	1
Place	Parks, Open Spaces and Street cleansing	Limited	-	1	3	2
Place	Repairs and maintenance – (Responsive Repairs)	Limited	-	1	2	3
Place	Housing Allocations	Limited	-	1	1	2
Resources	Disabled Persons' Freedom Passes	Limited	-	2	2	1
Resources	LATC Governance	Limited	-	-	-	-
Resources	Private Sector Housing payments	Limited	-	2	5	1
Resources	Cyber Security	Limited	-	3	2	0
Schools	Freezywater St Georges CofE Primary School	Limited	-	2	5	4
Schools	The Latymer School	Limited	-	2	6	11

Details of key findings from these audits are provided in the following paragraphs.

Capital Budget Management – No Assurance

This review identified three high risk and two medium risk findings, leading to an opinion of *No Assurance*.

The following high risk findings were identified:

- A lack of formal protocols for adding projects to the Capital Monitor and lack of challenge from the Capital and Projects Team in appraising projects prior to submission for Cabinet approval
- The Terms of Reference for the Capital Review Board are narrow in design. Either these should be widened to include the monitoring of projects against cost and performance milestones and a strategic oversight of project risk, or an alternative forum should cover these areas
- From the projects reviewed, we found little challenge and scrutiny of budgets, forecasts and actual expenditure including, but not limited to: -

- Delegated Authority Reports (DARs) being presented to Cabinet with indicative rather than detailed underlying costings
- Q3 forecast used as the following year budget without appropriate review and challenge
- Inaccurate recording of capital and revenue expenditure –for estate regeneration schemes, all scheme costs are held on revenue codes, and are then capitalised at the year end rather than monthly

The following medium risk findings were identified:

- Inconsistent monitoring of benefits realisation. We could not identify the monitoring of savings of £29m committed in the December 2016 Delegated Authority Report for the £32m IT investment budget.
- The delayed implementation of BPC Capital Budgeting.

Safe and Connected (Sheltered Housing) – No Assurance

The audit noted that operationally Safe and Connected (S&C) are following internal procedures adequately to deliver a good service to Sheltered Housing residents. Considerable effort has been made in response to the 2016 Independent report completed by Enfield Council to enhance employee training/skill sets and increased multi agency collaboration via Fire Prevention Meetings. However, there is a lack of procedures when interacting with Sheltered Housing, and limitations were noted within the phone line that connects residents to the S&C service. Overall, the report is given *No assurance* based on the findings set out below..

This audit identified 1 critical, 1 high, 3 medium and 1 low risk findings. A summary of the critical, high and medium risk findings has been set out below:

The critical finding identified was:

- Single S&C phone line– There is only a single S&C phone line into the Sheltered Housing accommodation. The activation of the in-flat heat or smoke head raises a call to S&C to contact the Fire Service. At present it is not known whether an S&C call already in progress would prevent the fire call getting through to S&C. If it does, this would prevent the Fire Service being alerted promptly, putting residents at the risk of harm.

The high risk finding was:

- Up to date service user information may not be available – There is no process in place to ensure that S&C have up to date/latest service user information on the Jontek system. Information is updated on an ad hoc basis when Sheltered Housing emails S&C of changes (e.g. a new joiner to Sheltered Housing), or when S&C obtains further information from the service user via calls. Moreover, through operational testing it was noted that in 1 of 25 tests, key medical/contact information for the service user was not available on Jontek. It is not known whether the medical information was relevant to the service user. Further, in 15 of 25 samples tested, the service user information was not updated for over 2 years, and there was no indication if the current information held is up to date or not. The ambiguity on

the quality and timeliness of data may significantly inhibit S&C in discharging its operational duties for Sheltered Housing residents.

The medium risk findings identified were:

- A lack of collaboration between S&C and Sheltered Housing – The wellbeing of Sheltered Housing residents is a joint responsibility of the Sheltered Housing Service and the S&C service. Currently there is no routine or formalised interaction between the S&C and Sheltered Housing teams. Hence, there is no forum where both teams meet to share knowledge, challenges, learnings, improvements etc. that will allow both teams to better deploy their well-being responsibilities for the Sheltered Housing residents. Currently, the interaction is limited to the Fire Prevention sessions only, with no proactive or partnership understanding between the two services. This lack of interaction will affect the ability of both teams to maintain a safe system for responding to concerns, challenges and discharging responsibilities.
- A lack of formalised SLA between IWE and Enfield Council – There is no formalised SLA between IWE (and hence management of S&C) and Enfield Council which stipulates the roles and responsibilities, budgeting, financials, performances etc. for each stakeholder. This will therefore significantly inhibit S&C's ability to implement improvements to better the service, provide direction and implement structural changes in response to serious incidents.
- Lack of overall strategy for S&C – S&C currently does not have a strategic plan that defines its long-term goals as a service, and which enables the service to respond to changing market trends, third party competition, customer needs and overall sustainability of the service.

Additionally, one low risk finding was identified.

Home Care/Support – No Assurance

This review identified three high risk, five medium risk and one low risk finding.

The following high-risk findings were identified:

- There was no effective framework of standards to measure providers against and there were no documented policies and procedures. Therefore, the process could not be shown to be robust and decisions made could not be shown to be fair and transparent.
- The new provider review did not:
 - include a financial assessment
 - require providers to undertake overseas police checks for staff recruited from abroadThis means the Council had not taken steps to minimise the prospect of unplanned provider failure or the risk of residents not being properly safeguarded.
- No reviews on existing providers had been undertaken for at least eight months

A further five medium risk and one low risk findings were also identified.

Bishop Stopford's School – No Assurance

We identified four high risks findings relating to:

- A requirement to ensure that the Council's Contract Procedure Rules are adhered to before all contracts are entered into and that expenditure over the Headteacher's delegated limit is approved by the Governing Body or delegated committee.
- Monthly reconciliations for the School's bank account, commercial card and petty cash not being undertaken and reviewed in a timely manner.
- The School's private fund account not being annually audited since 2015/16.
- The School paying for insurance cover with two different providers, one of which is duplicative.

A further 12 medium and five low risk findings were also identified.

Fees & Charges (Commercialism) – Limited Assurance

This review identified 1 high risk, 4 medium risk and 2 low risk findings.

The following high risk finding was identified:

- Central Commercial Oversight of Traded Services Performance - The Council does not specifically track the financial performance of Services that generate revenue on commercial terms (Traded Services) and there is no central awareness of the number of Services that operate as commercial generators of revenue, the total budget attributable to these Services or the profits and losses of these Services. This is likely to inhibit decision making at a Council wide level, and could result in financial, legal or reputational damage if services fail to deliver the expected returns, quality of services or operate outside of the Council's accepted behaviours, parameters or risk appetite.

The following medium risk findings were identified:

- Access to Management Information - Services within the Council have access to limited management information about their current and forecasted future performance and in general there is no tracking of direct and indirect costs or of profit margins. There is also no forecasting of different pricing options. Without such management information, Services may not have capacity to make suitable decisions about fees and charges, resulting in financial loss or, as a minimum, objectives around growth and profitability not being met.
- Objectives of Traded Services - Different Services across the Council pursue different strategies to pricing and there is no central or local documentation of these strategies. Therefore, strategies may be pursued that are counter to the Council's overall strategic direction. We also did not identify evidence of a centrally defined overall risk appetite with regards Traded Services. This may compromise the quality of service and result in financial loss.
- Marketing - Individual Services pursue their own approaches to marketing and Council marketing is often of lesser quality compared to external competitors operating in the market

place. This may impact on the growth of the potential customer base, reducing the Council's revenues and resulting in financial objectives not being achieved.

- Contract Monitoring - There is no formal contract monitoring framework in place for the Council's trading subsidiary, IWE, and there is no ongoing process to track commercial performance including profitability. Without such a process, IWE may run inefficiently, inhibiting profitability or impacting quality of Service.

A further two low risk findings were identified.

Leavers – Limited Assurance

This review identified 1 high risk finding, 3 medium risk findings and 1 low risk finding.

The following high risk findings were identified:

- There is a lack of a defined owner of the leavers process and there is limited communication between the different Services involved. No compliance statistics are collated and there is no oversight of the decentralised sub-processes involved. Without secure process governance, risks may not be addressed, resulting in legal or reputational damage to the Council in the event of non-compliance.

The following medium risk findings were identified:

- For 11 of a sample of 28 (39%) council payroll leavers and Matrix (third party service) contractors, we noted that the Service Now leavers form had not been completed by the line manager, facilitating removal of systems access. In these cases, the Council had to rely on compensating controls where monthly lists of leavers are received from HR based on the Matrix system and leavers within SAP. Further, there was no follow up of managers where leaver forms were not completed. For contractors outside the Matrix system, there is no central oversight of the population and compensating controls, so it is likely system access is inappropriately retained. If this is the case, the Council's data may be inappropriately accessed, resulting in legal or reputational damage. Through our testing we did not identify any cases where Council systems had been inappropriately accessed by leavers.
- When an employee leaves the Council, the Facilities Management Service is responsible for deactivating the associated ID card. For a sample of 30 cases, we noted 13 exceptions in this process, including four cases where access had not been removed and two cases where it had taken 40-45 days to remove access. Compensating controls in this process exist but are undocumented/not evidenced. If access is retained, leavers may inappropriately enter Council premises and may access data or assets without authorisation, resulting in legal, financial or reputational damage
- All leavers are required to return their IT assets prior to leaving the Council. This is done via the Service Now system. However, the system does not facilitate easy tracking of assets by user, and it is impossible to note assets formerly held by a leaver without relying on system comments. Moreover, our sample testing identified 4 out of 25 instances where there was not enough information to conclude whether the assets were returned in a timely manner. Further, the asset register for mobile phones is a spreadsheet document, which gives limited comfort over completeness of the asset returns.

One further low risk finding was identified.

Voluntary Organisations – Limited Assurance

This review identified two high risk and two medium risk findings.

The following high risk findings were identified:

- There was a lack of clarity around the roles and responsibilities for budget management. We found:
 - there was insufficient documentation around amendments to the contract amount
 - we were unable to reconcile actual payments made to the expected sums quoted in the contract; and
 - several payments were allocated to incorrect cost codes.
- We were unable to evidence for three out of the five issued contracts that appropriate variations had been agreed in relation to GDPR compliance.

The following medium risk findings were identified:

- Performance information in some cases was incomplete, there was limited validation of performance information received and action plans for improvement were not always clearly documented.
- Provider attendance at steering groups was not clearly documented, leading to the risk that the Council is unable to demonstrate openness, transparency and supporting evidence where payments are withheld.

Ethical Standards – Limited Assurance

This review identified 2 high risk, 1 medium risk and 1 low risk findings.

The review identified that while policies are in place regarding expected ethical behaviour, practical procedures and monitoring appear to be areas for development. We noted that there is a significant risk that the offer and receipt of gifts and hospitality is not being declared as there appears to be no formal process for officers to provide such information, and declarations of conflict of interest are not renewed on a regular basis to capture any changes. Additionally, there appears to be no corporate oversight of this information.

The following high risk findings were identified:

- The procedure stated within the Code of Conduct regarding the officers register of gifts and hospitality did not, in practice, appear to be in place. We were unable to identify where the register of gifts and hospitality is held or the actual practical process for officers to update it. This raises the risk that the register may be inaccurate and incomplete, and the Council may be subject to reputational damage, or unaware of inappropriate influences on officer decisions.
- Declarations of Interests are required to be completed prior to employment via a form appended to the Code of Conduct. However, there is no formal process for later updates, and employees are not required to update their declarations on a regular basis. This raises risks that the Council may be unaware of conflicts of interest which have arisen, and officers may retain decision making powers in areas where their objectivity is compromised.

The following medium risk finding was identified:

Attendance on the induction process, covering aspects of HR, policy and culture, is not monitored. This raises the risk that new employees may not be fully aware what behaviours are expected of them, leading to instances of non-compliance.

Additionally, one low risk finding was identified.

Housing Gateway Limited Repairs and Maintenance – Limited Assurance

This review identified 1 high risk, 3 medium risk and 2 low risk findings.

The following high risk finding was identified:

- Payments and Invoicing Process – The Service Level Agreement between HGL and the Council does not clearly define the process for agreeing payment amounts from HGL to the Council for services provided and for reconciling these payments. This leads to the Council not providing sufficient supporting evidence to HGL to warrant full payment of the balance. Full supporting evidence is not received by HGL and where the evidence is received, HGL has been unable to fully reconcile it to supporting documentation. This has led to delays to payments being made and to a lack of clarity over disputed amounts. Therefore, both parties' financial statements may not accurately reflect the transactions made and HGL may be expected to make payments which are not supported by appropriate evidence.

The following medium risk findings were identified:

- Timeliness and record keeping of inspections – As per policy, the Council inspects the quality of works conducted by its contractors, including all works over £1,000 and 10% of inspections under £1,000. We noted no issues with inspections over £1,000. However, we sampled 25 cases under £1,000 from the 10% selected by the system for inspection, and inspections had not been completed in 9 of these cases and had been completed late in a further 11 cases. We also noted that where inspections did take place, there was insufficient evidence recorded to understand how the inspections had been approved. If the inspection regime is not carried out, there is a risk that works are of poor quality and HGL may pay for substandard or incomplete works, resulting in financial loss.
- Quality and Oversight of Performance Information – Key Performance Indicators (KPIs) in place do not fully reflect the performance of HGL and HGL management have limited oversight of specific cases of tenant complaints or problems. Without appropriate management information, HGL may not be able to make appropriate management decisions, leading to financial or operational risk.
- Timeliness of Completion of Repairs – For a population of 913 work orders raised, only 673 (74%) had been completed on time. Per inquiry with management, this is partially due to untimely completion and partly due to untimely updating of the Northgate system by contractors. If works are not completed promptly, tenants may be dissatisfied or works may be costlier if issues are exacerbated. This could lead to financial and/or reputational loss.

Two low risk findings were also identified.

Disabled Persons' Freedom Passes – Limited Assurance

This review identified two high risks, two medium risks and one low risk finding. Therefore, we have concluded there is Limited Assurance overall.

The following high-risk findings were identified:

- There is a lack of formal objectives and/or key performance indicators (KPIs) for the Concessionary Travel Team and its contracted service provider, Access Independent which impedes the effective monitoring of the services. This, along with the disparity in the processing times for manual and online applications, has contributed to the delay in processing some online applications, which is unacceptable for the applicant and may lead to increased enquiries and complaints for the Council. There should be no disadvantage to the service user regarding the method by which they choose to submit their application.
- The Concessionary Travel Team's procedures were last reviewed and updated in 2010. Using out of date procedures may lead to inconsistent practices and error. The Concessionary Travel Team may also not be abreast of any relevant legislative and/or procedural changes issued by London Councils.

The following medium risk findings were identified:

- Sampling found that two passes had been issued without agreed processes being followed. In the first case a pass had been issued without proof of identity/residency and in the second instance a pass had been issued where the same documentation had been used for proof of both identity and residency. There is therefore a risk that passes may be fraudulently obtained by persons not entitled to them. There were also several cases where duplicate applications had been processed. Whilst duplicate applications are identified when uploaded to the London Council's database, processing multiple applications for the same applicant uses up valuable Council resources.
- The Concessionary Travel Team continues to accept online mental health Freedom Pass applications despite being aware that all such applications are rejected. The fact that the applicant should make a manual application is not communicated until after the online application is received. This is not a good use of either applicant or officer time and leaves the Concessionary Travel Team at risk of increased enquiries and complaints.

The following low risk finding was identified:

- A high percentage of the total complaints received by the Concessionary Travel Team were in relation to applicants' misunderstanding the Disabled Persons' Freedom Pass process and/or the criteria under which they can apply. It is the Concessionary Travel Team's responsibility to ensure the application process for a Disabled Persons' Freedom Pass is clear and transparent, which would reduce the number of dissatisfied applicants.

IWE Bridgewood House – Limited Assurance

This review identified 3 high risk findings.

While progress has been made since the previous review, there remain significant areas for development. These areas include:

- A lack of formal processes and procedures in relation to the financial administration of Bridgewood (including the handling of cash)

- No formal scheme of delegation being in place (apart from transactions processed through Neptune).

The following high risk findings were identified:

- The lack of a formal scheme of delegation or written procedures. This renders a risk that effective procedures may not be followed in practice, and financial loss may be incurred due to error or unidentified misappropriation.
- The use of the discretionary meals account for petty cash purchases (in the absence of a purchasing card or other means to make cash transactions), and lack of formalised procedures for handling of cash from service users. This could result in errors and unintentional or fraudulent misuse of service users' monies.
- Due to a lack of processes and schemes of delegation, an officer has authorised their own overtime on spreadsheets provided to Payroll. This raises the risk that such overtime could be fraudulently claimed.

Pupil Places – Limited Assurance

This review identified one high risk finding.

At the time of the audit, the function for pupil place planning sits in Asset Management, which reports through to the Assistant Director for Education. The pupil place planning function is the responsibility of, and undertaken by, a consultant contracted to the Council. There is no additional analytical/strategic support within the Education team for consistency, continuity and/or workforce planning. This process is currently fully reliant on the knowledge and experience of this one consultant.

This role is intrinsic to the Education Service's ability to deliver robust, efficient and accurate planning for pupil places, and is required to ensure appropriate stakeholder engagement across services and departments in the Council. This is particularly key within Education and Admissions, but also Capital Finance in Resources, Planning in Place Department and across neighbouring and other London Boroughs.

In our opinion, and given the Council's current priority for reducing agency staff and external consultants, the key risk to the Council is the loss of knowledge and experience should this current specialist leave the Council.

High risk finding:

- There are insufficient written procedures in place for a complex job role currently undertaken by one individual in isolation. Without written procedures in place, there is potential for serious impact on the Council's ability to deliver robust planning for sufficient school places in the medium term should this member of staff become unavailable to the Council. Taking in account the importance of the issue raised we have given a limited assurance rating.

Communal Assets – Limited Assurance

This review identified one high risk, and seven medium risk findings.

The following high risk findings were identified:

- Public liability insurance documents not being available for three out of a sample of 15 hires with a further four being out of date.

The following medium risk findings were identified:

- Policies and procedures were inconsistent and lacked clarity in relation to the roles and responsibilities of officers including monitoring and reporting.
- Lack of managerial oversight over the raising of invoices.
- No documented long term asset management strategy geared towards maximising income.
- No planned maintenance programme for the communal assets.
- Potential loss of income due to Wheatsheaf Hall being hired out at lower rates and on different terms to other halls in the Council portfolio.
- Rental rates are not reviewed in conjunction with the costs of delivering the service and lack of evidence of approval for rate increases
- Not all Corporate Landlord checks were evidenced by certificates

Housing Capital Projects – Limited Assurance

This review identified 2 high risk, 4 medium risk and 1 low risk finding.

The following high risk findings were identified:

- Signed Contracts – For two of three projects sampled, there was no signed contract in place even though these projects started in 2017. In the other case sampled, the contract was signed 13 months after works commenced. Where signed contracts do exist, we noted a separate instance where the Council's legal Service had been unable to provide this on request. Non-existence or inability to locate signed contracts may lead to a lack of protection from financial liability in the event of incomplete or substandard works, or an inability to recover costs if a contractor ceases work. This risk may be mitigated by signed Letters of Intention at the procurement stage but we cannot form an opinion over what protections these afford the Council. Moreover, as contracts are not held by the Service, Project Managers may not have full oversight of the terms, limiting the efficacy of their monitoring
- Council Approval of Variations - There is no consistent, documented procedure for considering and approving changes of specification, and for one of three projects sampled it was not clear from retained evidence who within the Council had authorised the changes. Without a clear, consistent process for approving variations, changes to scope may be agreed which are unnecessary, represent poor value, or have not been authorised by an appropriate Council officer. This could result in a financial loss to the Council.

The following medium risk findings were identified:

- Procurement of Contract Administrators (CAs) – The procurement process for CAs relies on a standard specification document that was last updated in 2010 and is based largely on price. By using this document and relying on price factors, the Council's priorities may not be captured in the procurement process and procurements may not be sufficiently bespoke to ensure quality. This may hinder quality of projects or lead to increased cost to the Council.
- Procurement of End Contractors – The specification document for the procurement of construction contractors through the London Tenders Portal is written by the third party

Contract Administrator in consultation with the Project Manager employed by the Council. However, per our inquiries the document is not always read in full by the Project Manager, which may lead to errors or omissions not being identified. In addition, the procurements are usually based almost entirely on price, which may lead to quality factors not being considered. This could result in reduced quality of work, or delays to projects.

- Contractor Performance Monitoring – Monitoring of contractors on an individual project level takes place, including monthly meetings where their performance is assessed. However, there is limited assessment of the performance of Contract Administrators and there is no holistic monitoring process in place whereby issues in particular projects are documented and learnings used for other projects performed or tendered by the same contractor. Without effective monitoring of CAs and without this holistic process, the Council may not identify and rectify issues in a timely fashion, which may lead to financial or reputational damage to the Council.
- Threshold for Invoice Approvals – Each invoice is approved by a single Project Manager within the Capital Programme Service. However, there is no Service level Scheme of Delegation in place with thresholds for approval by more senior staff. Given the scale of these projects, invoices as high as £700,000 can be approved by a single project manager. Per our inquiries, separate finance Service checks are carried out but these do not include industry-specific knowledge or checks on the underlying status of the project so do not address the same risks. This could result in financial loss to the Council if payments are inappropriately approved.

Additionally, one low risk finding was also identified.

Parks, Open Spaces and Street Cleansing – Limited Assurance

This review identified 1 high risk finding, 3 medium risk findings and 2 low risk findings.

There was a key finding in relation to a lack of a quality assurance framework to ensure the satisfactory completion and quality of inspection and repair work performed by the Council's contractors, which may expose the Council to risk in the event of injury to park users. There were also findings in relation to insufficient contract monitoring procedures and checks over the accuracy of contractor invoices. The service's central spreadsheet listing faults identified in parks contained inaccuracies, and there was no systematic reporting to management on the functions performance. As such, we are only able to give limited assurance over the design and operation of controls in place over the areas covered by this audit.

The following high risk finding was identified:

- Inspections and Repairs Quality Assurance – A contractor, ARD, conducts inspections and repairs of play equipment on behalf of the Council. However, there is no formal quality assurance framework around the work performed by ARD. Checks performed by the Council are limited to undocumented system checks and ad hoc spot checks of repairs, with pictorial evidence of the repair's completion retained. There is no documented quality assurance obtained over ARD's inspections. Without a formal quality assurance framework, risks to user health and safety may not be mitigated, which may result in serious injury to park users, and consequent legal, financial and/or reputational damage to the Council.

The following medium risk findings were identified:

- Invoice checks – Per our inquiries, checks that rates used on contractor invoices agree to the contractual schedule of rates are carried out on all invoices. However, no evidence is retained of this and we therefore could not obtain further evidence that these checks take place. Without these checks, or if sufficient rigour is not applied, the Council may be exposed to financial loss in the case of fraud or error by contractors.
- Contract Monitoring - There is little to no monitoring over the performance of contractors HAGS UK and ARD against contractual performance obligations. If contractors are not performing to an appropriate standard, issues may not be identified by the Council, resulting in remedial actions not taking place and value for money not being achieved.
- Internal Performance Reporting - No performance reports are produced and reported to management within Parks and Open Spaces, and Service level performance indicators are only provided by management to the Council's Health and Safety Board on an ad hoc basis upon request. Trends in Service performance may not be identified, inhibiting the ability of management to make appropriate decisions regarding the Service.

A further 2 low risk findings were recorded.

Repairs and Maintenance (Responsive Repairs) – Limited Assurance

This review identified 1 high risk, 2 medium risk and 3 low risk findings.

High risk finding:

- Approval of payments – All contract works over £1,000 and a 10% sample of works under £1,000 are inspected by the Council for completion and quality. Contractors are paid within 10 working days, regardless of whether inspection has occurred. Audit testing identified that in 261 of 3457 cases (8% of total population), payment was made without inspection having taken place. Failure to carry out post inspections within the given timescale may result in payments being made for inadequate works and these payments may prove a challenge to retrieve.

Medium risk findings:

- Existence of governance documents – the department's operations are not governed by written policies and procedures. Without these, agreed procedures may be misunderstood or misinterpreted, not followed in the absence of key staff, or good practice may erode over time.
- Monitoring Contractor Performance – There is no formal internal process to discuss the long-term performance of individual contractors, and the Council's strategic contractor relationships. Long term trends in contractor performance are not monitored, and completion of remedial actions is not tracked. This may lead to insufficient remediation and response if the Council's quality standards are not met.

A further 3 low risk findings were also identified.

Housing Allocations – Limited Assurance

This review was undertaken in addition to the 2018/19 internal audit programme, following management request. The scope of the review specifically looked at the governance systems in place to ensure that social housing is only allocated to those with appropriate genuine need,

through a transparent and effective assessment and allocations process and that potential error, misuse and fraud is minimized.

The review identified one high risk, one medium risk and two low risk findings. Whilst no incidences were identified during testing where either internal and/or external fraud was suspected, there are opportunities to improve processes as well as providing proactive counter-fraud support, which would assist in identifying and reducing potential external fraud.

The processes for allocating available properties to clients on the housing register were found to result in effective decisions in accordance with the housing policy.

However, a significant issue was identified regarding access to the Northgate system. While this issue does not fall within the purview of the Housing Options and Allocations service, it does reduce assurance over the system corporately, and has therefore resulted in a *Limited Assurance* opinion.

Some opportunities to improve record-keeping were also identified.

The following high risk finding was identified:

- Access to Northgate has not been effectively monitored; many leavers still have live accounts and many officers appear to have levels of access not required for their role (e.g. write access as opposed to read access). This raises risks of non-compliance with General Data Protection Regulations (GDPR).

The following medium risk finding was also identified:

- We found that supporting information was not readily on hand to explain the rationale behind decisions made. We were also informed that records are not regularly reviewed to ensure personal data is held in accordance with the Council's retention policies. In the first case, it may be difficult for the Council to respond timely to enquiries such as complaints or Freedom of Information requests. In the second case, the Council is at risk of breaching GDPR legislation.

Additionally, 2 low risk findings were also identified.

LATC Governance – Limited Assurance

This review identified three high risk, two medium risk and one low risk findings.

We identified that there were controls in place to manage the many relationships between organisations. However, the operational effectiveness of these controls was variable, resulting in potential inefficiency or ineffective operating of trading companies. This has subsequent impacts on profitability for the shareholder. Additionally, the close nature of the many relationships between LBE and its companies has resulted in conflicts of interest arising, further increasing potential for impact on effective operating of the companies.

High risk findings:

- At the time of review the composition of the Shareholder Board (SB) included many company directors, thus creating conflicts of interest which may affect the Board's effectiveness, and the quoracy of SB votes. This has since been addressed and the Board is now fully independent of the companies.

- Inconsistency of performance management provisions within SLAs, in particular the lack of defined acceptable performance levels and the absence of any incentives to improve performance where necessary.
- The absence of a management agreement for the provision of the Safe and Connected service.

Private Sector Housing Payments – Limited Assurance

This review identified two high risk, five medium risk and one low risk finding.

The following high-risk findings were identified:

- There is no process in place for staff to declare any business or pecuniary interests which may be considered a conflict of interest.
- There was a lack of evidence confirming that potential tenants had signed declarations to allow the Council to share their personal data with agents or landlords. Also, records of mandatory gas and energy efficient certificates that agents should provide in order to be added to the Homefinder database, were incomplete.

The following medium risk findings were identified:

- Evidence to confirm that Temporary Nightly Paid Accommodation properties were inspected promptly was lacking.
- There was a lack of evidence that Private Leased Annexe properties were inspected.
- Improvements are required to the processes and management information relating to Private Leased Annexe voids.
- There was insufficient record keeping in respect of deposits paid to agents.
- Reconciliations between Northgate and ADAM (the procurement, compliance and payment system used between the Council and accredited agents for Private Leased Annexe transactions) were not up to date.

Cyber Security – Limited Assurance

This review identified 3 high risk and 2 medium risk findings. The following high risk findings have been identified:

- Roles and responsibilities are unclear for security related stakeholders – Roles and responsibilities are not clearly defined at both the team (Operations, Security etc.) and individual level within the organisation. The Security team is responsible for scanning and identification of vulnerabilities but once identified this is passed to the Operations team for remediation and/or risk acceptance. However, there were instances identified by the Security team where the Operations team have not remediated and/or risk accepted the identified vulnerability. The Operations team have stated that this is because the reports do not clearly show the systems where the vulnerability is and they need to be streamlined to concentrate on those alone. This has left the Council potentially exposed to cyber threats that could exploit these identified vulnerabilities
- A Security Information and Event Monitoring (SIEM) tool has been implemented but doesn't monitor all of the Council's infrastructure – The Council's Security team use a SIEM tool to gather information from the LBE estate. However, this only collects logs from file servers. Although there is an option to further integrate other infrastructure monitoring and other important monitoring capabilities, such as Intrusion Detection

Systems (IDS) into the Security Information and Event Monitoring (SIEM) this will require time and effort from staff. There is currently no one identified to conduct this work and this is currently outside the role and responsibility of the IT Security Manager.

- No IT Security strategy is currently in place – There is an Information Management Strategy which was last reissued in November 2017, however this does not cover the areas we would expect in an IT Security or Cyber Security strategy. For example, it doesn't currently set out the Council's commitment to delivering effective cyber security and how it is going to deliver it, including making a clear link from business objectives through to a Cyber Plan, though a series of logical, interconnected steps. It needs to recognise that the cyber security strategy should support the Council in the effective and efficient operation of its wider Strategy, and being positioned as a business enabler rather than a blocker.

The following medium risk findings were identified:

- Security KPIs have not been defined – To discharge their security obligations and make effective decisions, Managers and senior stakeholders need to receive Management Information (MI) detailing activity and outcomes from operational processes. MI assists in the monitoring of systems, identifies areas for improvement, and aids in completing accurate risk assessments. This then leads onto a set of clearly defined Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs) to measure security performance and risk. Currently the Council does not have any defined KPIs/KRIs or metrics.
- There are no policies and processes in place to guide stakeholders to manage incidents and vulnerabilities in a timely and appropriate manner – The Council has policies in place for many control areas, including incident reporting; but the Council is lacking policies specific to important areas such as vulnerability management.

Freezywater St. George's CofE Primary School – Limited Assurance

We identified two high risk areas relating to:

- A requirement to ensure that the Council's Contract Procedure Rules are adhered to before all contracts are entered into and/or renewed and that expenditure above the Headteacher's delegated limit is approved by the Governing Body.
- The necessary checks for new starters, particularly those relating to safeguarding, not being completed prior to employment commencing.

A further five medium risk and four low risk findings were also identified.

The Latymer School – Limited Assurance

We identified two high risks finding relating to:

- Improvements required to the ordering and purchasing processes: ensuring that all expenditure for goods and services has a pre-authorised order, quotations obtained are attached to the order to evidence contract procedure rules have been complied with, quotations for phased works are monitored against the invoices received and that invoices are appropriately certified prior to payment being made.

- The School's 2017/18 private fund account not being annually audited since 2014/15.

A further six medium and 11 low risk findings were also identified.

IV. Internal Audit Quality Assurance

Internal Assessment

Internal assessments comprise both ongoing reviews and periodic reviews. Reports of internal assessments are presented to the Audit Committee on at least an annual basis, together with an action plan to address any areas for improvement, if necessary.

External Assessment

An external assessment must be conducted every five years by a qualified, independent assessor from outside the Council. This assessment was undertaken for the Council's internal audit service in April 2015, for which the report was presented in the 2014/15 Internal Audit Annual Report. The assessment concluded that the service **'fully conforms'** to the requirements of the PSIAS. The next independent review will be undertaken in 2019/20.

Internal Audit Performance during 2018/19

The performance of the Internal Audit service has been measured during 2018/19 and is shown in the following table:

KPI/Quality Metric	Target	Actual
Audit plan to be delivered to draft report stage by 31 March	95%	100%
Days from end of fieldwork to issue of draft report	15 days	16 days
Days from issue of draft report to receipt of management comments	15 days	21 days
Days from receipt of management comments to issue of final report	10 days	9 days
Survey responses	80%	85%
Terms of reference reviewed and approved by the Head	100%	100%
Supervision of engagements	100%	100%
Draft report reviewed and approved by the Head	100%	100%
Final report reviewed and approved by the Head	100%	100%

The receipt of management comments following issue of draft audit reports has not been achieved within the target 15 days. This has not always been within the control of the auditors, but we will increase efforts during 2019/20 to improve our communication with audit and action owners.

Appendix 1: Detailed analysis of 2018/19 internal audit reviews

Chief Executives

Title	Audit Team	Audit Status Description	Assurance Level Description	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory
Annual Governance Statement	PwC	Complete	Reasonable	-	-	2	2	-
Data quality	PwC	Deferred	N/A	-	-	-	-	-
Ethical Standards	In House	Complete	Limited	-	2	1	1	-
Mayors Charity	In House	Complete	N/A	-	-	2	-	-

Cross Cutting

Title	Audit Team	Audit Status Description	Assurance Level Description	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory
Capital budget management	In House	Complete	No	-	3	2	-	-
Fees and Charges (Commercialism)	PwC	Complete	Limited	-	1	4	2	-
Leavers	PwC	Complete	Limited	-	1	3	1	-
Voluntary Organisations	In House	Complete	Limited	-	2	2	-	-

Schools

Title	Audit Team	Audit Status Description	Assurance Level Description	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory
Bishop Stopford's School	In House	Complete	No	-	4	12	5	4
Chace Community School	In House	Complete	Reasonable	-	-	2	6	3
Eastfield Primary School	In House	Cancelled	N/A	-	-	-	-	-
Enfield County School for Girls	In House	Complete	Substantial	-	-	-	5	8
Eversley Primary School	In House	Complete	Reasonable	-	-	4	7	6
Freezywater St Georges CoFE Primary School	In House	Complete	Limited	-	2	5	4	5

Title	Audit Team	Audit Status Description	Assurance Level Description	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory
Hadley Wood Primary School	In House	Complete	Reasonable	-	1	2	6	4
Highlands School	In House	Deferred	N/A	-	-	-	-	-
Oakthorpe Primary	In House	Deferred	N/A	-	-	-	-	-
Russet House School	In House	Complete	Reasonable	-	-	4	9	6
St Edmunds Catholic Primary School	In House	Complete	Reasonable	-	-	3	10	2
St Michael's CE Primary School	In House	Complete	Substantial	-	-	-	9	4
St Monica's Catholic Primary School	In House	Complete	Reasonable	-	-	3	10	6
The Latymer School	In House	Complete	Limited	-	2	6	11	5
Tottenham Infant School	In House	Complete	Substantial	-	-	1	3	-
Winchmore School	In House	Complete	Reasonable	-	-	4	3	-

LATC

Title	Audit Team	Audit Status Description	Assurance Level Description	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory
EIL – Savills' Contract	In House	Complete	N/A	-	-	-	-	-
HGL - Acquisitions	In House	Deferred	N/A	-	-	-	-	-
HGL - Income Collection	In House	Complete	Reasonable	-	1	-	1	-
HGL - Repairs and Maintenance	PwC	Complete	Limited	-	1	3	2	-
IWE Bridgewood House	In House	Complete	Limited	-	3	-	-	-
IWE Service Delivery & Income Management	PwC	Complete	Reasonable	-	-	1	1	-
LATC - Assets	In House	Deferred	N/A	-	-	-	-	-
Safe and Connected – Sheltered Housing	PwC	Complete	No	1	1	3	-	-

People

Title	Audit Team	Audit Status Description	Assurance Level Description	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory
Adoption	PwC	Deferred	N/A	-	-	-	-	-
Business systems (Liquid Logic)	In House	Complete	N/A	-	-	-	-	-
Care Management Teams	PwC	Complete	Reasonable	-	-	3	1	-
Enfield County School - Grant Certification	In House	Complete	N/A	-	-	-	-	-
Highlands School - Grant Certification	In House	Cancelled	N/A	-	-	-	-	-
Home Care/Support	In House	Complete	No	-	3	5	1	-
Looked After Children - missing children	In House	Complete	Reasonable	-	-	1	2	-
Mental Health Services	In House	Deferred	N/A	-	-	-	-	-
Pupil places	In House	Complete	Limited	-	1	-	-	-
Safeguarding Practice - Merlins	In House	Complete	Reasonable	-	-	2	-	-
School Transport	In House	Deferred	N/A	-	-	-	-	-
Troubled families grant claims - Phase 1	PwC	Complete	N/A	-	-	-	-	-
Troubled families grant claims - Phase 2	PwC	Complete	N/A	-	-	-	-	-
Troubled families grant claims – Phase 3	PwC	Complete	N/A	-	-	-	-	-

Place





Title	Audit Team	Audit Status Description	Assurance Level Description	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory
BEGIN Grant Certification	In House	Complete	N/A	-	-	-	-	-
Bush Hill Park - Major Works project	In House	Complete	N/A	-	-	-	-	-
Business systems (Civica)	In House	Deferred	N/A	-	-	-	-	-
Car Parking	In House	Complete	Reasonable	-	-	1	3	1
Communal assets	In House	Complete	Limited	-	1	7	-	-
Highway assets (e.g. street furniture, street lighting, bridges, structures, etc.)	PwC	Complete	Reasonable	-	-	3	-	-
Housing Capital Projects - major works and estate renewal	PwC	Complete	Limited	-	2	4	1	-
Housing Developments and Regeneration	In House	Complete	N/A	-	-	-	-	-
Housing Allocations	In House	Complete	Limited	-	1	1	2	1
Parks, Open Spaces and Street cleansing	PwC	Complete	Limited	-	1	3	2	-
Regeneration projects – e.g. Alma estate	PwC	Complete	Reasonable	-	-	3	2	-
Repairs and maintenance – (responsive repairs)	PwC	Complete	Limited	-	1	2	3	-
Small Housing Sites	In House	Complete	N/A	-	-	-	-	-




Resources

Title	Audit Team	Audit Status Description	Assurance Level Description	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory
Business systems access security	PwC	Complete	Reasonable	-	-	4	-	1
Business systems (Eclipse)	In House	Complete	N/A	-	-	-	-	-
Call Centre and customer services	PwC	Complete	Reasonable	-	-	3	3	-
Commissioning (Brokerage)	PwC	Complete	Reasonable	-	-	1	2	-
Cyber security	PwC	Complete	Limited	-	3	2	-	-
Data protection – compliance with GDPR	PwC	Complete	Reasonable	-	-	4	4	-
Disabled Facilities Grants	In House	Deferred	N/A	-	-	-	-	-
Freedom Passes	In House	Complete	Limited	-	2	2	1	-

Title	Audit Team	Audit Status Description	Assurance Level Description	Critical Risks	High Risks	Medium Risks	Low Risks	Advisory
Key financial systems – continuous monitoring	PwC	Complete	Reasonable	-	-	-	-	-
LATC Governance	In House	Complete	Limited	-	-	-	-	-
Local Authority Trading Companies	In House	Cancelled	N/A	-	-	-	-	-
Private Sector Housing payments	In House	Complete	Limited	-	2	5	1	-
Teachers Pensions	In House	Complete	N/A	-	-	-	-	-
VAT	PwC	Complete	Reasonable	-	-	3	3	3

Appendix 2: Assurance levels and risk priorities

Level of assurance	
Substantial 	No significant improvements are required. There is a sound control environment with risks to key service objectives being well managed. Any deficiencies identified are not cause for major concern.
Reasonable 	Scope for improvement in existing arrangements has been identified and action is required to enhance the likelihood that business objectives will be achieved.
Limited 	The achievement of business objectives is threatened and action to improve the adequacy and effectiveness of the risk management, control, and governance arrangements is required. Failure to act may result in error, fraud, loss or reputational damage.
No 	There is a fundamental risk that business objectives will not be achieved and urgent action is required to improve the control environment. Failure to act is likely to result in error, fraud, loss or reputational damage

Risk rating	
Critical 	<p>Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance. Mass strike actions etc.</p> <p>Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers.</p> <p>Cessation of core activities, Strategies not consistent with government's agenda, trends show service is degraded. Failure of major Projects – elected Members & SMBs are required to intervene</p> <p>Major financial loss – Significant, material increase on project budget/cost.</p> <p>Statutory intervention triggered. Impact the whole Council; Critical breach in laws and regulations that could result in material fines or consequences</p>
High 	<p>Serious injuries or stressful experience requiring medical many workdays lost.</p> <p>Major impact on morale & performance of staff. Significant impact on the reputation or brand of the organisation; Scrutiny required by external agencies, Audit Commission etc. Unfavourable external media coverage. Noticeable impact on public opinion</p> <p>Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome med – term difficulties</p> <p>High financial loss Significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences</p>
Medium 	<p>Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff.</p> <p>Moderate impact on the reputation or brand of the organisation; Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage.</p> <p>Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service action will be required.</p> <p>Medium financial loss - Small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and</p>

	consequences
<p>Low</p> <p>●</p>	<p>Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale</p> <p>Internal Review, unlikely to have impact on the corporate image. Minor impact on the reputation of the organisation. Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines. Minimal financial loss - minimal effect on project budget/cost. Minor breach in laws and regulations with limited consequence.</p>

Appendix 3: Changes to the 2018/19 Plan

The Council's Internal Audit Plan is flexible to ensure that the audit resource available is focused on the key risk areas. Therefore, reviews have been removed or added to the Plan during the year. The changes have not impacted on the level of assurance that has been obtained over key risks across the Council. The table below sets out the key changes to the 2018/19 Internal Audit Plan.

Area	Audit	Change	Explanation
LATC	EIL – Savill's Contract	+1	Agreed LATC audit plan
LATC	HGL - Income Collection	+1	Agreed LATC audit plan
LATC	HGL - Repairs and Maintenance	+1	Agreed LATC audit plan
LATC	IWE Service Delivery & Income Management	+1	Agreed LATC audit plan
LATC	IWE Bridgewood House	+1	Agreed LATC audit plan
LATC	LATC Assets	+1	Agreed LATC audit plan
LATC	LATC Assets	-1	Management request to defer to June 2019
LATC	Local Authority Trading Companies	-1	Remove place marker on plan
PEOPLE	Troubled families grant claims - Phase 2	+1	Additional grant certification requirement
PEOPLE	Troubled families grant claims - Phase 3	+1	Additional grant certification requirement
PEOPLE	Adoptions	-1	Regionalisation not yet in place
PEOPLE	Mental Health Services	-1	Deferred to 2019/20 plan
PEOPLE	Business systems (Liquid Logic)	+1	Requested by management
PLACE	BEGIN grant certification	+1	Requested by management
PLACE	Bush Hill Park - Major Works project	+1	Requested by management
PLACE	Housing Allocations	+1	Requested by management
PLACE	School Transport	-1	Requested by management due to change of policy
PLACE	Small Housing Sites	+1	Requested by management
PLACE	Housing	+1	Requested by management

Area	Audit	Change	Explanation
	Developments and Regeneration		
PLACE	Business Systems (Civica)	+1	Requested by management
PLACE	Business Systems (Civica)	-1	Deferred to 2019/20 due to project progress
RESOURCES	LATC Governance	+1	Requested by management
RESOURCES	Data Quality	-1	Deferred to 2019/20
RESOURCES	Disabled Facilities Grant	-1	Deferred to 2019/20
SCHOOLS	Enfield County School for Girls - Grant Certification	+1	Grant certification requested
SCHOOLS	Eversley Primary School	+1	Requested by management
SCHOOLS	Eastfield Primary School	-1	Management request due to academy order
SCHOOLS	Highlands School	-1	Requested by management
SCHOOLS	Russet House School	+1	Requested by management
SCHOOLS	Oakthorpe Primary School	-1	Requested by management

Appendix 4: Limitations and Responsibilities

Limitations inherent to the internal auditor's work

Our work has been performed subject to the limitations outlined below.

Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. Therefore, management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to Enfield Council is for the period 1 April 2017 to 31 March 2018. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.