

Audit and Pensions Committee

Agenda

Tuesday 15 September 2020 at 6.30 pm
This meeting will be held remotely

MEMBERSHIP

Administration	Opposition
Councillor Iain Cassidy (Chair) Councillor Jonathan Caleb-Landy Councillor Rebecca Harvey Councillor PJ Murphy	Councillor Alex Karmel Councillor Matt Thorley

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Audit and Pensions Committee Agenda

<u>Item</u>	<u>Pages</u>
1. APOLOGIES FOR ABSENCE	
2. ROLL CALL AND DECLARATIONS OF INTEREST	
<p>A roll call will be carried out to confirm attendance and Councillors will have the opportunity to declare any interests.</p> <p>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.</p> <p>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.</p> <p>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.</p>	
3. MINUTES OF THE PREVIOUS MEETING	5 - 13
<p>To approve the minutes of the previous meeting and to note any outstanding actions.</p>	
4. EXTERNAL AUDIT PLAN AND PROGRESS UPDATE	14 - 60
<p>This item will cover the external audit plan and an external audit progress report.</p>	
5. TREASURY MANAGEMENT OUTTURN REPORT 2019-20	61 - 68
<p>This report presents the Council's annual Treasury Management Outturn Report for 2019/20 in accordance with the Council's treasury management practices.</p>	

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|------------|---|-----------|
| 6. | CORPORATE ANTI-FRAUD SERVICE PERFORMANCE REPORT - APRIL 2019 TO MARCH 2020 | 69 - 84 |
| | This report provides an account of fraud-related activity undertaken by the Corporate Anti-Fraud Service from 1 April 2019 to 31 March 2020. | |
| 7. | ANTI-FRAUD AND CORRUPTION STRATEGY REVIEW | 85 - 104 |
| | This item contains the revised Anti-Fraud and Corruption Strategy 2020, for review and approval. | |
| 8. | RISK MANAGEMENT HIGHLIGHT REPORT | 105 - 122 |
| | This report provides an update on risk management across the Council. | |
| 9. | HEAD OF INTERNAL AUDIT ANNUAL REPORT 2019-20 | 123 - 202 |
| | This report summarises the work of Internal Audit in 2019/20 and provides the opinion of the Director of Audit, Fraud, Risk and Insurance on the adequacy and effectiveness of the Council's framework of governance, risk management and control. | |
| | This item contains the following Final Internal Audit Reports: | |
| | <ul style="list-style-type: none"> • Appendix 5 – Final Report – Engaging Support Workers Through Agencies • Appendix 6 – Final Report – Highways Deposits and Refunds • Appendix 7 – Final Report – Housing Service Charges • Appendix 8 – Final Report – Cyber Security | |
| 10. | INTERNAL AUDIT PLAN 2020-21 | 203 - 218 |
| | This report presents the Internal Audit Plan for 2020/21. | |
| 11. | INTERNAL AUDIT CHARTER | 219 - 230 |
| | This item presents the Council's Internal Audit Charter for review. | |
| 12. | DATE OF THE NEXT MEETING | |
| | The next meeting is scheduled for the 1 st of December. | |

London Borough of Hammersmith & Fulham
**Audit and Pensions
Committee
Minutes**



Monday 16 December 2019

PRESENT

Committee members: Councillors Iain Cassidy (Chair), Jonathan Caleb-Landy, Rebecca Harvey, PJ Murphy, Alex Karmel and Matt Thorley

External Guests: Paul Dossett (Engagement Lead, Grant Thornton) and Keyasha Pillay (Engagement Manager, Grant Thornton)

Officers:

Kim Smith (Chief Executive)
David Hughes (Director of Audit, Fraud, Risk and Insurance)
Mike Sloniowski (Risk Manager)
Emily Hill (Assistant Director, Finance)
Phil Triggs (Director of Treasury and Pensions)
Andrew Hyatt (Head of Corporate Anti-Fraud)
Paul Barton (Head of Corporate Safety)
Matt Sales (Assistant Director, Programmes and Assurance)
Dawn Aunger (Assistant Director, People and Talent)
Lisa Redfern (Strategic Director of Social Care)
David Abbott (Scrutiny Manager)

1. MINUTES OF THE PREVIOUS MEETING

RESOLVED

The minutes of the meeting held on 24 September 2019 were agreed as a correct record.

2. APOLOGIES FOR ABSENCE

There were no apologies for absence.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. EXTERNAL AUDIT PROGRESS REPORT

Paul Dossett (Engagement Lead at Grant Thornton) presented Grant Thornton's audit progress report and sector update.

He highlighted the following key points from the report:

- Grant Thornton issued their opinion on the Council's 2018/19 Statement of Accounts on 31 July 2019.
- The only outstanding element was the certification of claims and returns. Certification of the Council's annual Housing Benefit Subsidy claim was delayed by systems issues so the final position would be presented to the Committee in the new year.
- Grant Thornton had prepared a response to the Redmond Review, which was looking into the future of local public audit and financial reporting. The review was driven by concerns over the length and complexity of local government accounts. The review was due to report in Summer 2020.

Committee members, in reference to the slides on recruitment and retention (pages 24 and 25 of the agenda), asked how the public sector team's turnover figures related to the firm's general staff turnover rate. Paul Dossett said it was harder to retain staff in the public sector team than the corporate sector teams.

Councillor Jonathan Caleb-Landy noted that the report said austerity had reduced local authorities' ability to produce high-quality accounts and working papers - and asked if that was an issue in Hammersmith and Fulham. Paul Dossett said austerity had meant finance departments were more constrained - and as accounts became more technical there were fewer people with the specialist skills necessary. He added that the position in Hammersmith and Fulham was stronger than average - by some margin. That had meant Grant Thornton were able to sign off the account earlier. Many councils in London had still not had their accounts signed off.

Councillor Alex Karmel asked if Grant Thornton's response to the Redmond Review was a national response or if it was specific to H&F. Paul Dossett said it was a national response.

Paul Dossett explained that since the abolition of the audit commission there was no single body that supervised the whole system. Now there were a number of different organisations with different interests. Grant Thornton's view was that whole system oversight was needed.

Councillor PJ Murphy, in reference to page 29 of the agenda, asked why accounts were more complex now. Paul Dossett said it was mainly due to the introduction of IFRS, a very complex set of accounting standards. Councillor Murphy asked for an explanation to be included in the report.

Paul Dossett added that reductions in Government funding had led to an increase in local authorities setting up joint ventures, companies, making more complex investments etc. which all had to be accounted for. Councillor Murphy asked that this

point be made under the austerity section - to show the cause and effect of central government funding reductions.

Councillor PJ Murphy asked that Grant Thornton explain in the response how the proposed rebasing of the audit fees would be funded - i.e. local authorities should receive additional money from central government. Paul Dossett said he didn't feel it was the remit of the auditor to say where the money should come from.

Councillor Alex Karmel, referencing the historical comparison on page 22 of the agenda, noted that the 2008/09 figure for Birmingham City Council's scale fee and audit fee totalled £1m. He suggested if the figure was adjusted for inflation it would be around £1.2m. He also noted that some of this fee would have funded central functions that the audit required. Councillor Rebecca Harvey asked what the like-for-like figure would be. Paul Dossett said it would be around £500,000 to £550,000.

Councillor PJ Murphy asked why firms kept bidding on public sector business if the fees were unsustainable, as the report suggested. Paul Dossett said Grant Thornton bid two years ago and the regulatory environment had changed radically in the last 18 months. He added that the 2017/18 fee was set at a sustainable level given the environment at the time.

Paul Dossett informed the Committee that, in the corporate sector, fees had increased by 25 to 30 percent. NHS bodies had seen increases of around 15 percent on last year's fees. A number of NHS trusts are only receiving one or two bids, even at higher prices, because the regulatory environment has changed so much.

Councillor PJ Murphy said he felt the response should include something about what Grant Thornton have had to do to streamline processes as the Council has. Paul Dossett said the full, detailed response covers some of those things around the use of technology and efficiency improvements. He said he would share the full response with the Committee.

ACTION: Paul Dossett

5. TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW

Phil Triggs (Director of Treasury and Pensions) presented the treasury management strategy mid-year review and highlighted the following points:

- As at 30 September 2019 net cash invested was £135m.
- Since the Earl's Court payment, the figures in the report had changed substantially - total cash invested was down to £254.2m.

Councillor PJ Murphy asked if the figures would be rebased in future so they were like-for-like. Phil Triggs said they would be.

Phil Triggs then highlighted the following points from the report:

- Page 42 showed the cash investment breakdown. The strategy was to look first at security, then liquidity, then yield. The yield had fallen from April to September - the run up to the election had produced a great deal of

uncertainty but since the election had concluded the environment had strengthened.

- Page 43 showed that borrowing had stayed constant at £213m. There was no additional borrowing during this financial year.
- The Public Works Loan Board had ramped up interest by 1 percent in response to record outflows of borrowing in August and September.
- The Council was internally borrowing £125m of internal reserves to fund previous years' capital expenditure.

Councillor PJ Murphy asked for an explanation of the upper and lower limits on the maturity profile of borrowing table on page 45. Phil Triggs said the upper limit was 10 years and above - anything under has to be 15 percent.

Councillor Alex Karmel commended the Treasury team for their work, especially given the recent period of uncertainty.

RESOLVED

The Committee noted the report.

6. CORPORATE HEALTH AND SAFETY MID-YEAR REPORT

Paul Barton (Head of Corporate Safety) presented the corporate health and safety mid-year report and highlighted the following key points:

- Corporate H&S policy was revised following disaggregation from shared services
- After the disaggregation there had been a re-alignment of the service to provide a more general service across the authority - but some specialisms had been retained, around schools for example.
- In the period covered by the report, no enforcement action had been taken against the Council and all audits were on target.

Councillor Iain Cassidy asked why there had been such a significant increase in violent incidents in libraries and archives. Paul Barton said it could have been that the reporting culture was improving. The audits in the first half of 2020 would provide more detailed analysis.

He added that more staff were aware of the reporting mechanisms and knew they should be reporting all threatening incidents.

Councillor PJ Murphy asked if changes in reporting culture were also behind the increase in incidents in Housing and Regeneration. Paul Barton said Housing was a higher risk area and so the figures were perhaps a better reflection than the libraries and archives figures. Paul Barton said officers wouldn't know if the reporting culture has plateaued until the next financial year.

Councillor PJ Murphy asked if there was any informal feedback from the Housing department. Paul Barton said it was fair to say there had been an increase in threatening behaviour towards officers - that was picked up by our audits and the trade unions. The service was looking at measures, including conflict and resolution training.

Councillor Alex Karmel asked if the Council was taking adequate steps to ensure its staff were protected. Paul Barton explained that they held monthly reviews of operational risk registers - which meant officers had a much better idea of what needed to be done quickly in specific areas.

Councillor Karmel asked Paul Barton if he was happy that the Council was taking the right steps. Paul Barton said the Council was taking the right steps.

Councillor Rebecca Harvey, referring to page 58, asked if the 15 violence and intimidation incidents in Housing and Regeneration were due to one person causing a number of incidents or a number of people causing single incidents. She said it would be helpful in future reports to give context. Paul Barton said there was a register of violent people used to keep staff informed.

The Chair said, based on his experiences, the Council was not particularly effective at preventing people on the violence register from attending public events. Given the relocation to new buildings, were the receptions - often not council staff - briefed on the register? Paul Barton said he would follow up after the meeting.

ACTION: Paul Barton

Kim Smith (Chief Executive) reassured members that no one could get on to the floors occupied by the Council without a security pass. In the Clockwork Building people needed a security fob to activate the lift and get on to the floors. Officers also encouraged a culture of checking credentials for additional assurance.

Councillor Jonathan Caleb-Landy, referring to page 59, noted that it seemed as though a lot of cases, both in Library and Archives and Housing, were currently open. He asked what the process to investigate and resolve those cases was and how long they normally took to resolve.

Paul Barton said once an investigation was opened it was the line manager's responsibility to undertake an investigation and close it on the system. If it was not resolved in 30 days then it was referred up. Investigations could take quite a long time.

Councillors asked how long harassment cases took to resolve. Paul Barton said if it involved putting the perpetrator on the register it took around 2 weeks. Referring the victim to the Council's wellness centre would take a few weeks. There were no specific targets for turnaround - cases could last a few days or a few months. Councillor Caleb-Landy said this felt like something the Committee should keep track of - including any other metrics that gave an insight of how the Council was performing in this area.

ACTION: Paul Barton

Councillor PJ Murphy, in reference to the violence and intimidation incidents on page 61, asked if any of the incidents had been reported to the police or resulted in prosecutions. Paul Barton said all of the listed incidents had been reported to the police. He didn't know if any had resulted in prosecutions but said he would check.

ACTION: Paul Barton

Councillor Rebecca Harvey noted that the table on page 61 included 32 incidents categorised as 'other / not known' and warned this might skew the figures. Paul Barton noted that officers were in the process of upgrading the Council's accident and reporting system. There would be a much more comprehensive list soon and the team were aiming to reclassify these incidents.

The Chair asked if the team looked at accidents when staff were travelling to and from work. Paul Barton said officers did look at that for risk registers. The Chair made the point that road safety was the biggest risk for the average office worker - and asked officers what more the Council could do to address the issue. Paul Barton assured members that officers do look at these issues when carrying out risk assessment reviews.

Councillor PJ Murphy asked if the Council had a policy on handsfree devices for phones in cars. Officers said they supported that but weren't sure if it was in the current fleet policy. Officers to follow up after the meeting.

ACTION: Paul Barton

The Chair asked, how good was the Council's working relationship with its new building managers. Paul Barton said there was a very good dialogue. Kim Smith added that the previous buildings had numerous serious issues and, in contrast, the general response to the new premises was a 'universal thumbs-up'. Overall there had been a much more positive conversation from staff about the support on offer - both personally and in teams.

7. ANTI-FRAUD MID-YEAR REPORT

Andrew Hyatt (Head of Corporate Anti-Fraud) presented the report on counter-fraud activity for the first half of the year and highlighted the following points:

- The table on page 94 of the agenda gave a like-for-like comparison with the previous year - showing major improvements, particularly in detection and deterrence work undertaken.
- Since April 2019 the service received three referrals via the whistleblowing process. All had been investigated, with two on-going.
- There had been more of a focus on tenancy fraud - officers had started attending housing forums which had led to useful conversations and suggestions from them around the medium of reporting fraud. In response, the team had started to put out small leaflets with additional routes in to provide information.

Councillor Rebecca Harvey, referring to 5.19 of the report, asked how many of the 55 blue badge 'fraud or error' were error compared with fraud. Andrew Hyatt said a large number would be cases where people had passed away but the family hadn't handed the badge back. In these cases, officers contacted the families – sensitively – to ask that the badge be returned.

Councillor PJ Murphy asked if this was linked with information from the registrar's office. Can the team access that information? Andrew Hyatt said they did - it was part of the 'tell us once' process - but if people passed away in other areas then it had to wait until the national data-matching exercise.

Councillor Rebecca Harvey asked how many of the housing benefit 'fraud and error' cases were confirmed errors. Andrew Hyatt said he would check with colleagues in the revenues and benefits team.

ACTION: Andrew Hyatt

Councillor Alex Karmel, in reference to the section on tenancy fraud (page 94), questioned why the values assigned for tenancy fraud (around £14k) were so low. Andy Hyatt said the figures were based on a 12 month value. Councillor Karmel said he would like to know the total values - particularly for cases over long periods. The full historical figures might give greater incentive to take action. Andy Hyatt reassured members that, where the Council took proceeds of crime action, officers always tried to find the total figure across the entire length of the fraud.

Councillor PJ Murphy asked why there had been such a significant decrease in Right-to-Buy fraud. Andrew Hyatt said the note at 5.14 explained the decrease - there had been a general decrease in the number of people applying for Right-to-Buy. Housing fraud was down too though that was largely a case of what gets referred to the team.

Councillor Rebecca Harvey commented that the recovery of one four-bedroom and four three-bedroom properties (in high demand by families needing support and assistance) was very welcome and thanked officers for their work.

RESOLVED

The Committee noted the report.

8. ANTI-FRAUD POLICY REVIEW

Andrew Hyatt (Head of Corporate Anti-Fraud) presented the anti-fraud policy review, noting that there were no material changes. There was a small change to the anti-bribery paper - a section had been added on further support to employees, signposting staff to the Council's Employee Assistance Programme that offers free counselling and resources to help with work or personal issues.

The Chair asked if there was anything coming in the near future that may require further changes - e.g. online fraud, money laundering etc. Andrew Hyatt said the key thing was education for employees and the team were working with People & Talent on training packages for staff. E-learning packages were being developed by the team that had the potential to be sold to other authorities. The areas of highest risk would also be complemented with in-person classroom training.

Councillor Alex Karmel suggested that officers insert the word 'unduly' after '...attempts to' in the first line of paragraph 8.1 on page 117.

RESOLVED

The Committee approved the updated anti-fraud policies, subject to the change to paragraph 8.1 noted above.

9. RISK MANAGEMENT HIGHLIGHT REPORT

Mike Sloniowski (Risk Manager) took a moment to welcome Paul Barton to the Council's Health and Safety team. He noted that since disaggregation Paul had built the new team from the ground up and had already made a big impact.

Mike Sloniowski then presented the risk management highlight report and drew the Committee's attention to the following points:

- This had been a very active period with a lot of work around London-wide resilience related to Brexit.
- Mike was now attending the Civic Campus Programme Board following the Committee's recommendation.
- The Council had refreshed its Governance arrangements - increasing financial thresholds for decision making.
- The Renovation of Hammersmith Bridge (risk 33) featured additional information requested at the previous meeting.

David Hughes (Director of Audit, Fraud, Risk and Insurance) encouraged members to highlight areas from the risk register for future detailed reports.

Councillor Alex Karmel raised a point he had also raised at the previous meeting around the possible bailey bridge. He asked again if members could have details about the new proposals.

ACTION: Mike Sloniowski / Sharon Lea

Kim Smith noted that there was a new director of Children's Services - Jacqui McShannon - who would be focused on Children's Services key risk areas around placements and the high needs block budget.

Mike Sloniowski thanked the elections team who ran the recent general election on very short notice and across multiple sites. Councillor PJ Murphy added that he thought the election had been very well run - he saw the inspection team in action at a polling station. Officers thanked Councillor Murphy for the feedback and would pass it on to the elections team.

RESOLVED

The Committee noted the report.

10. INTERNAL AUDIT QUARTERLY UPDATE

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the internal audit quarterly report and noted that, for the third time running, there were no limited assurance reviews. He added that the report summarised audit work undertaken since the previous report and followed up on a number of actions.

The Chair noted that the section on the Council's 'Ruthlessly Financially Efficient' priority was very helpful.

Councillor Rebecca Harvey said it would be helpful to have timescales against the actions reported for completed audits.

ACTION: David Hughes

RESOLVED

The Committee noted the report.

11. DATES OF FUTURE MEETINGS

The final meeting of the municipal year was scheduled to take place on 11 March 2020.

Meeting started: 7.00 pm
Meeting ended: 8.25 pm

Chair

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External Audit Plan

Year ending 31 March 2020

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

This draft has been created from the template dated DD MMM YYYY

Agenda Item 4





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A. Audit quality – national context	20

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Introduction & headlines

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Purpose

This document provides an overview of the planned scope and timing of the statutory audits of the London Borough of Hammersmith and Fulham ('the Council') and Hammersmith and Fulham Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of London Borough of Hammersmith and Fulham and Hammersmith and Fulham Pension Fund. We draw your attention to both of these documents on the [PSAA website](#). We draw your attention to both of these documents.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of land and buildings (Council only)
- Valuation of net pension liability (Council only)
- Management override of control (Council and Pension Fund)
- Valuation of level 3 investments (Pension Fund only)

We will communicate significant findings on these areas as well as any other significant matters arising from the audits to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £10m (PY £13m) for the Council, which equates to 1.42% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £0.1 m for disclosures around Officers' Remuneration. We have determined planning materiality for the Pension Fund to be £10m (PY £18m), which equates to 0.95% of your prior year net assets as at 31 March 2019. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.5m (PY £0.65m) for both the Council and the Pension Fund.

Value for Money arrangements

Our risk assessment regarding the Council's arrangements to secure value for money have identified the following VFM significant risk:

- Medium Term Financial Planning

Audit logistics

Our interim visits will take place in February and March and our final visits will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £152,242 (PY: £140,242) for the Council, and £25,000 for the Pension Fund (PY: £16,170), subject to the Council and Pension Fund meeting our requirements set out on page 14.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express objective opinions on the financial statements of both the Council and Pension Fund.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Council and Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Pensions Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audits of the financial statements for the Council and Fund do not relieve management or the Audit and Pensions Committee of their responsibilities. It is the responsibility of the Council and Pension Fund to ensure that proper arrangements are in place for the conduct of their business, and that public money is safeguarded and properly accounted for. We have considered how the Council and Pension Fund are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council and Pension Fund's business and is risk based.

2. Key matters impacting our audit – Council

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Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For the London Borough of Hammersmith and Fulham, there is uncertainty over the future funding that will be made available by a new government, in particular as a result of the Fair Funding review. This will be important in determining the Council's capacity to respond to future demand pressures, in particular relating to social care, children's services and housing.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Council will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

As of month 9, the Council is forecasting an overspend to budget of £7.7m for 2019/20, with the majority of this being attributable to demand pressures on Children's Services. A balanced budget has been set for 2020/21, which includes around £5m anticipated growth relating to this area.

However the medium-term forecast to 2023/24 shows increasing budget gaps year-on-year, approaching £60m.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting needs to be improved and increased audit procedures are required. Particular areas of additional audit focus are property, plant and equipment, and pensions. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

Accounting developments

International Financial Reporting Standard (IFRS) 16 will be introduced across the public sector from 1 April 2020 and will have a significant impact on the way in which the Council accounts for leases, or other contracts which contain a lease. The standard will require management to assess the present value of the liability associated with any arrangement containing a lease and bring this on to the Balance Sheet, along with the value of the associated right of use asset. The Council will be required to disclose in its 2019/20 financial statements the expected initial impact of the implementation of IFRS 16 on its net asset position and reserves as at 1 April 2020.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Council and will review related disclosures in the financial statements.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been discussed with the Strategic Director, Finance and Governance and is subject to PSAA agreement.

Members of the finance team attended our financial reporting workshops which took place during February 2020, where further guidance and support on IFRS 16 implementation will be provided.

We will review management's assessment of the impact of IFRS 16 on the net assets and reserves of the Council as at 1 April 2020, and review disclosures made in the 2019/20 financial statements, to gain assurance that the standard has been appropriately applied.

2. Key matters impacting our audit – Pension Fund

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Factors

The wider picture and political uncertainty

- Local Government funding continues to be stretched with increasing cost pressures.
- The market value of LGPS funds at end of March 2019 was £287.2 billion (an increase of £16.3 billion or 6.0%) but for the first time, the LGPS in England & Wales is now cashflow negative, with benefit payments rising to £10.4bn while contributions fell to £9.3bn. There are now over 18,000 employers. Local authorities represent around 18.3% of these but have 74% of the members.

The UK exited the EU on 31 January 2020. The economic impact of this remains uncertain as is the wider global economic picture. The Pension Fund will need to ensure that it's investment strategy has considered potential outcomes.

Governance

- The Scheme Advisory Board (SAB) has published the *Good Governance – Phase II Report*. Proposals include having a single named officer responsible for the delivery of LGPS related activity for a fund, an enhanced annual governance compliance statement and establishing a set of key performance indicators.
- SAB is also consulting on Responsible Investment guidance to assist and help investment decision makers.
- tPR continues to apply pressure on pension schemes to improve the quality of scheme member data. The 2019 valuation process will likely have thrown up some data issues (large or small) that need addressing.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where financial reporting, in particular Level 3 and Financial Instrument investment valuations and disclosures, needs to be improved, with a corresponding increase in audit procedures.

In addition, disclosures around significant judgements and estimation uncertainty are likely to be an area of focus

Triennial LGPS valuation

The local government pension scheme underwent a full triennial valuation as at 31 March 2019. The impact the balance sheet will be reported for the first time in the 2019/20 financial statements for the Council, having also been updated for the 31 March 2020 valuation. Forward contributions required being determined from 2020/21 onwards, after which the funding note in the Pension Fund accounts will also be updated

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Our response

- We will consider whether your financial position leads to material uncertainty about the going concern of the Pension Fund and will review related disclosures in the financial statements.

- We will consider the Pension Fund's responses to the SAB initiatives and whether they impact upon our risk assessment.
- We will consider the impact of any data issues raised as part of the 2019 on the risks identified as part of our 2019/20 audit.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been discussed with the Strategic Director, Finance and Governance and is subject to PSAA agreement

We will perform additional procedures to gain assurance over the completeness and accuracy of financial and non-financial data provided to the Pension Fund actuary in respect of the triennial valuation, and consider the impact of the updated funding ratio on the Fund's going concern position.

3. Significant risks identified

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Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in revenue and expenditure recognition	Council and Pension Fund	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the London Borough of Hammersmith and Fulham, mean that all forms of fraud are seen as unacceptable <p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) further states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition".</p> <p>Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We have assessed the significant expenditure streams of the Council and the risk of material misstatement arising from inappropriate expenditure recognition has a low likelihood of occurrence and is unlikely to be of a size which would be material to the users of the financial statements.</p> <p>Therefore we do not consider this to be a significant risk for the Council or the Pension Fund.</p>	
Management over-ride of controls	Council and Pension Fund	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>In particular journals, management estimates and transactions outside the course of business are areas susceptible to management override.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

3. Significant risks identified – continued

DRAFT

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	Council only	<p>The Council revalues its land and buildings on a rolling four-yearly basis. Council dwellings are revalued annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.6 billion) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>Management have engaged the services of a valuer, Wilks Head and Eve, to estimate the current value as at 31 March 2020.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • engage our own valuer, Gerald Eve, to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation; • test revaluations made during the year to determine whether they had been input correctly into the Council's asset register; • assess the value of a sample of assets in relation to market rates for comparable properties; • evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • test a sample of beacon properties in respect of council dwellings to consider whether their valuation assumptions are appropriate and whether they are truly representative of the other properties within that beacon group.

3. Significant risks identified – continued

DRAFT

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the net pension liability	Council only	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£624 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud and Guaranteed Minimum Pension cases; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

3. Significant risks identified – continued

DRAFT

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of level 3 investments	Pension Fund only	<p>The Pension Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£77 million) and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2020.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate management's processes for valuing Level 3 investments Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met Independently request year-end confirmations from investment managers and/or custodian(s) For a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2020 with reference to known movements in the intervening period and In the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert Test revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register Where available review investment manager service auditor report on design effectiveness of internal controls.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

4. Other risks identified

DRAFT

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)	Council	<p>The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.</p> <p>In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Authority's 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements. Assess the completeness of the disclosures made by the Authority in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC Local Authority Leasing Briefings.

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

5. Other matters

Other work – Council

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read the Council's Narrative Report and Annual Governance Statement and any other information published alongside the financial statements, to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council
- We carry out work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on the Council's consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other work – Pension Fund

The Pension Fund is administered by the London Borough of Hammersmith and Fulham (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund's financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Pension Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Council and Pension Fund's ability to continue as going concerns" (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties in respect of both the Council and the Pension Fund, and evaluate the disclosures in the financial statements.

6. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

For the Council, we have determined financial statement materiality based on a proportion of the gross expenditure for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £10m (PY £13m) for the Council, which equates to 1.42% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £0.1m for disclosures around Officers' Remuneration.

For the Pension Fund, we have determined financial statement materiality based on a proportion of the net assets for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £10m (PY £18m) for the Pension Fund, which equates to 0.95% of your prior year net assets as at 31 March 2019. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £0.1m for disclosures around the remuneration of Key Management Personnel.

The reduction in materiality compared to the previous year, in respect of both the Council and the Pension Fund, reflects the higher profile of local audit following external reviews such as those led by Sir John Kingman and Sir Tony Redman.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit and Pensions Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinions on the financial statements as a whole, we nevertheless report to the Audit and Pensions Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.5m (PY £0.65m). In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.5m (PY £0.9m).

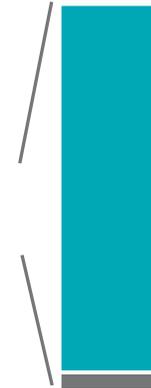
If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Pensions Committee to assist it in fulfilling its governance responsibilities.

Prior year gross expenditure

£702m Council
(PY: £705M)



- Prior year gross expenditure
- Materiality



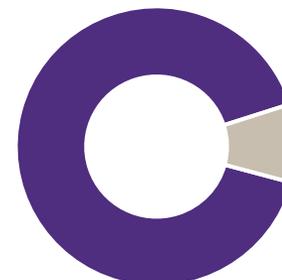
Materiality

£10m
Authority financial statements materiality
(PY: £13m)

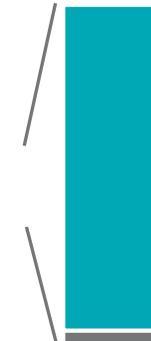
£0.5m
Misstatements reported to the Audit and Pensions Committee
(PY: £0.65m)

Prior year net assets

£1,052m Pension Fund
(PY: £1,009m)



- Prior year net assets
- Materiality



Materiality

£10m
Pension Fund financial statements materiality
(PY: £18m)

£0.5m
Misstatements reported to the Audit and Pensions Committee
(PY: £0.9m)

7. Value for Money arrangements

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Background to our VFM approach

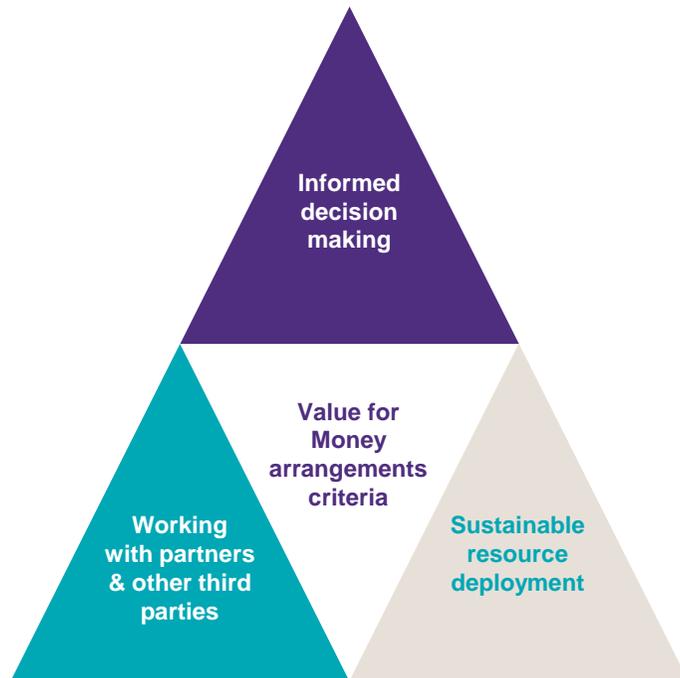
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:

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Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Medium Term Financial Planning

You face a number of financial challenges over the both the short and medium term, including managing the impact of reductions in government funding, increasing demand for services, the impact of changes to business rates retention and the outcome of the Government's fairer funding review. You are currently forecasting a budget shortfall of £7.7 million for the year and although you are developing mitigating actions any shortfall will need to be met from reserves.

Part of your response to these challenges relates to increasing capital development and regeneration in the Borough, as well as internally considering issues such as work space for your employees and refining recruitment practices to enable you to better manage staffing costs.

Overspends predicted in the high needs school and early years block of the Dedicated Schools Grant, which remains the key area of pressure, will also be funded through reserves. You are beginning to make use of business information and data to aim to better understand the drivers of increasing costs.

A balanced budget has been set for 2020/21 although the four-year medium term financial forecast shows increasing budget gaps in future years, with a range of growth and savings proposals being proposed.

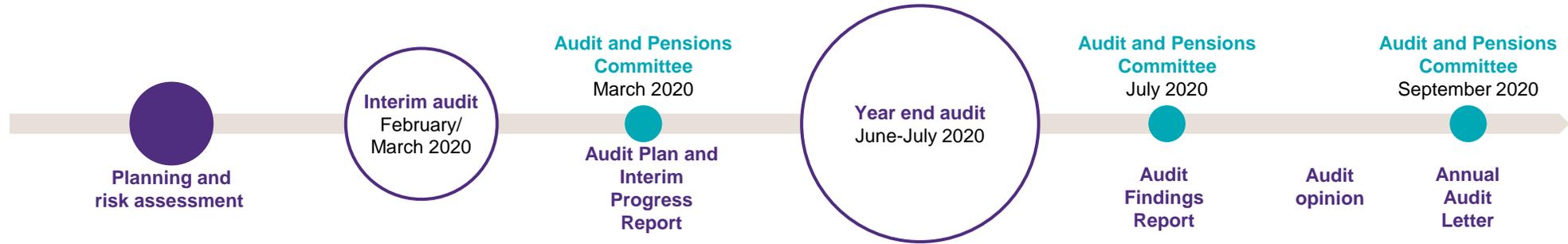
In response to this risk, we will:

- review the arrangements in place to monitor and report performance against budget and savings plans
- consider your arrangements for setting the Medium Term Financial Forecast and examine underlying assumptions and dependencies for robustness.
- examine the savings plans aimed at reducing future funding gaps, as well as likely outcomes from existing schemes in place.

We will continue our review of your arrangements, including reviewing the Council's Annual Governance Statement, before we issue our auditor's report.

8. Audit logistics & team

DRAFT



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Paul Dossett, Key Audit Partner

Paul is the main point of contact for the Chief Executive, Director of Finance and Committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Paul will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work. Paul will sign your audit opinion.



Ellen Millington, Manager

Ellen works with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Ellen will attend Audit and Pensions Committees, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable. Ellen will be responsible for the delivery of our work on your arrangements in place to secure value for money.

Tanyaradzwa Chikari, Assistant Manager

Tanyaradzwa will lead the onsite team and will be the day to day contact for the audit. She will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Tanyaradzwa will undertake the more technical aspects of the audit, coach the junior members of the team and review the team's work.

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

9. Audit fees

DRAFT

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been discussed with the Strategic Director, Finance and Governance and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Council Audit	£163,950	£140,242	£152,242
Pension Fund Audit	£21,000	£16,170	£25,000
Audit of Wormwood Scrubs Charitable Trust	£9,900	£15,015	£TBC
Total audit fees (excluding VAT)	£175,950	£171,427	£TBC

Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Audit fee variations – Further analysis – Council

DRAFT

Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	126,242	
Raising the bar	6,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity. As outlined earlier in the Plan, we have also reduced the materiality level, reflecting the higher profile of local audit. This will entail an increase in scoped items and sample sizes selected for testing.
Page 19 Provisions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	4,000	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	9,500	We have therefore engaged our own auditor’s expert – Gerald Eve and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations]. The increase includes an estimate for the fee payable to the auditor’s expert. We estimate that the cost of the auditors expert will be in the region of £5,000.
Changes in accounting standards including IFRS 16	3,000	IFRS 16 – Leases – will be implemented across the public sector with effect from 1 April 2020. This will require the recognition of an additional lease liability along with a corresponding right of use asset on the Authority’s balance sheet. In 2019/20, the financial statements will need to contain the anticipated impact on transition, which from an audit perspective will include assessment of the Authority’s processes and controls in place for ensuring completeness of recorded leases falling within the scope of the standard, including those held at a peppercorn rent, as well as lease terms where this is not clear from the contract; assessment of the recognition of the lease liability, including the Authority’s determination of its incremental borrowing rate for each asset in order to discount the future cash flows appropriately.
Revised scale fee (to be approved by PSAA)	152,242	

Audit fee variations – Further analysis – Pension Fund

DRAFT

Audit area	£	Rationale for fee variation
Scale fee	16,170	
Raising the bar	5,000	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Valuation of level 3 investments	3,830	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of valuations of hard to value investments needs to improve across the sector. Accordingly, we plan to enhance the scope and coverage of our work to ensure an adequate level of audit scrutiny and challenge over the assumptions and evidence that underpin the valuations of level 3 investments this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.
Revised scale fee (to be approved by PSAA)	25,000	

10. Independence & non-audit services

DRAFT

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following other services were identified:

Service	£	Threats	Safeguards
Audit related:			
Certification of Housing Benefits subsidy claim	TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low in comparison to the total fee for the audit of the Council in 2018/19 of £140,242 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Agreed upon procedures engagement relating to the Teachers' Pensions End of Year Certificate	4,000	As above	As above
Agreed upon procedures engagement relating to Pooling of Housing Capital Receipts	4,000	As above	As above
Non-audit related:			
CFO Insights subscription	12,500	As above	As above

10. Independence & non-audit services – continued

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No non-audit services were identified in respect of the Pension Fund.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Pensions Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees. The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>

A. Audit Quality – national context

Appendix A: Audit Quality – national context

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What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.

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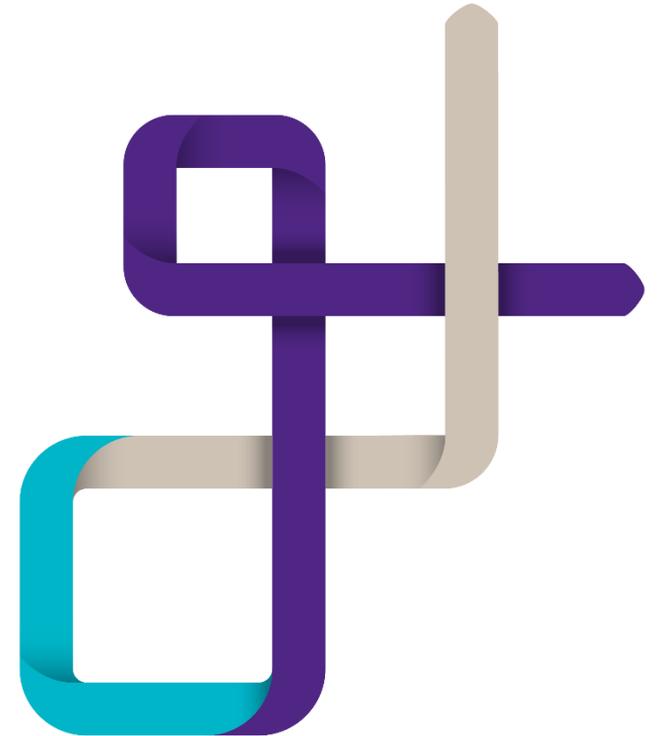
This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

This draft has been created from the template dated DD MMM YYYY

External Audit Plan update

Year ending 31 March 2020

London Borough of Hammersmith and Fulham and Hammersmith and Fulham Pension Fund
April 2020
Page 36



Introduction & headlines

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Purpose

This document provides an update to the planned scope and timing of the statutory audit of London Borough of Hammersmith and Fulham ('the Authority') and Hammersmith and Fulham Pension Fund ('the Fund') as reported in our Audit Plan dated March 2020, for those charged with governance.

The current environment

In addition to the audit risks communicated to those charged with governance in our Audit Plan in March 2020, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

Impact on our audit and VfM work

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020. We will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing opinions on the Authority and the Fund's financial statements and VfM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2020/21.

Changes to our audit approach

To date we have:

- Identified a new significant financial statement level risk, applicable to both the Authority and the Fund, as described overleaf
- Reviewed the materiality levels we determined for the audits. We did not identify any changes to our materiality assessment for either the Authority or the Fund as a result of the risk identified due to Covid-19.

Changes to our VfM approach

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19, however we will consider and comment on the potential impact of Covid-19 on the Authority's future financial sustainability, and the Authority's plans for addressing the arising issues, as part of our work in addressing the previously identified significant VfM risk around the arrangements in place for Medium Term Financial Planning.

Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

Significant risks identified – Covid – 19 pandemic

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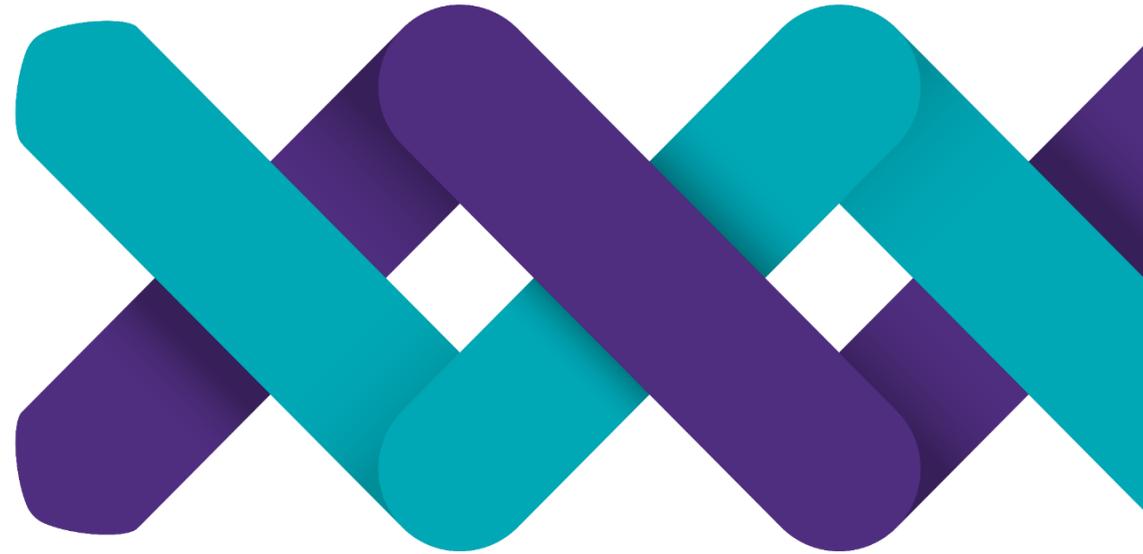
Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Covid – 19	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation’s ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. • Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • Evaluate management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment • Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.

Audit Progress Report and Sector Update

London Borough of Hammersmith and Fulham
Year ending 31 March 2020

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15 September 2020



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Introduction



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This paper provides the Audit and Pensions Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Pensions Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at September 2020

Financial Statements Audit

We undertook our initial planning and interim audit for 2019/20 in February and March 2020. We began our work on your draft financial statements in September following receipt of the financial statements in late August.

In March we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 30 November 2020.

Covid-19

In addition to the audit risks communicated to those charged with governance in our Audit Plan in March 2020, the Covid-19 pandemic led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response. In April 2020 we issued an addendum to our audit plan, setting out a new significant financial statement risk in relation to Covid-19. Our audit plan addendum is included in the papers for this committee meeting.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by 30 November 2020.

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation is now underway and runs until 2 September 2020. It can be accessed through the NAO website:

<https://www.nao.org.uk/code-audit-practice/agn-03-vfm-consultation/>

Progress at September 2020 (Cont.)

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim is underway and we plan to be able to complete our work by the 31 January deadline, which was revised by the DWP in response to the impact of the Covid-19 pandemic.

We certify the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2019/20 claim is due to be completed in advance of the 30 November deadline.

We also certify the Council's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). We have yet to receive from MHCLG guidance for the certification work for the 2019/20 return.

Meetings

We have met regularly with your Director of Finance as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in February and in September to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your Chief Accountant attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated the anticipated increase in our Audit Plan, which we have included again in the papers for this meeting.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

COVID-19 Update

Impact on working arrangements:

- following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices for the foreseeable future and your audit team are now working from home
- we will be working remotely during your accounts audit. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely. This is however likely to make the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- there may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

Impact on accounts and audit opinions:

There are a number of key issues which your finance team will have had to consider as part of the year end closedown and accounts production:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (this could also impact on the VfM conclusion) or asset valuations.
- valuation of Property, Plant & Equipment and assumptions made by valuers, particularly in respect of carrying value to current value assessment.
- impact on collectability of debt and assumptions made in bad debt provisions.
- impact on post-balance sheets events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed.
- disclosure of impact in annual report.
- disclosure of critical judgements and material estimation uncertainties.
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation.
- considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion).
- impact on reporting to those charged with governance and signing arrangements.

Changes to reporting requirements:

- the Secretary of State announced that for the 2019/20 accounting period he would be extending the period for publication of principal authority accounts to 30 August 2020.
- for principal authorities, this means that the whole chain of publication requirements will be amended. The audited financial statements are now to be published by 30 November 2020.
- IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021/22.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Fee Letter <ul style="list-style-type: none"> Confirming audit fee for 2019/20. Advising of additional fee for 2019/20 	April 2019 January 2020	Complete Complete
Audit Plan <p>We are required to issue a detailed audit plan to the Audit and Pensions Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.</p>	March 2020	Complete
Audit Findings Report <p>The Audit Findings Report will be reported to the November Audit and Pensions Committee.</p>	November 2020	Not yet due
Auditors Report <p>This is the opinion on your financial statements, annual governance statement and value for money conclusion.</p>	November 2020	Not yet due
Annual Audit Letter <p>This letter communicates the key issues arising from our work.</p>	December 2020	Not yet due

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

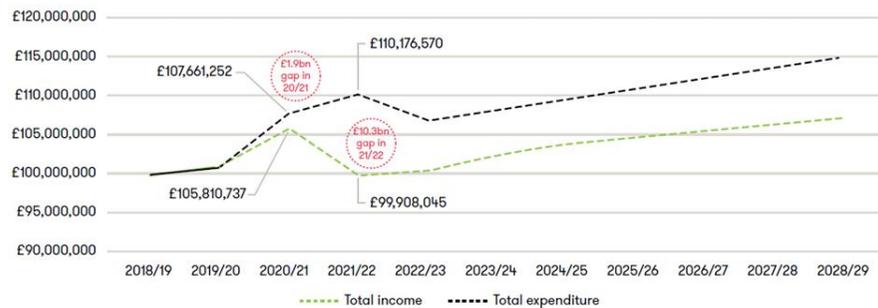
Covid-19 update

Where are we now?

Over five months into lockdown and councils have moved from the initial emergency response phase to focus on recovery planning which is running in parallel with on-going responses to the pandemic, such as supporting vulnerable people, and managing the capacity challenges of delivering business as usual alongside covid-19 response.

The Government has confirmed three tranches of funding to support the impact of increase spend and reduced income directly attributed to Covid-19, and are in the process of confirming further support via the income compensation scheme.

Local Authority Income and Expenditure (England) 2018/19 to 2028/29



Source: Grant Thornton/CIPFA Financial Foresight

Local government finances remain significantly impacted and our Financial Foresight forecast indicates that English local authorities have a funding gap of £1.9bn this financial year, rising to over £10bn in 2021/22. There is significant uncertainty as to whether the Government will provide further Covid-19 related funding, and what the medium-term funding for the sector will be following the Autumn's Comprehensive Spending Review. Our modelling currently assumes that government funding will remain broadly unchanged, with income being affected by ongoing reduction to Council Tax and Business Rates, both in terms of a reduction to these tax bases, alongside reduced payments as a consequence of the recession brought about by the pandemic.

and support the vulnerable, whatever scenarios play out in the medium term.

The uncertainty also impacts on future spending pressures and sales fees and charges income. For example, leisure centres and swimming pools can now be opened, but must follow Government guidelines on issues such as social distancing. Not all leisure services have been able to reopen, and those that have are not able to generate levels of income originally forecast pre-covid. Social care faces uncertainty in relation to future demand, for example most councils responsible for children's services are forecasting an increase in case load when children return to schools in September. For adults, where in some cases demand has fallen during the pandemic, there is uncertainty over future levels of demand. There is also concern over provider failure in relation to social care and other services such as leisure and transport, with many councils providing financial support and loans to some providers, which will not be sustainable in the medium term.

As place leaders, councils are managing the conflict between revitalizing footfall in high streets and keeping people safe, with some leading by example and encouraging council officers to spend some of the week in council offices. Use of public transport as a key mode of travel to get to work remains a particular challenge.

Lessons learned

All organisations, including councils, have been reflecting on the lessons learned from the pandemic, and are seeking to maintain the positive experiences as well as learn from the challenges, as part of recovery planning. There is a recognition that technology has enabled many people to successfully work remotely, and that this will have a fundamental impact on working patterns well after Covid-19 has passed. Councils are reviewing their property portfolios to understand the changes required in terms of future usage patterns, including how councils interact with their communities, whether parts of the municipal estate should be disposed, and whether alternate use of space can support income generation.

There will be demographic variations between places, meaning there is no "one size fits all" to economic recovery. For example, home to work geographies will vary, with some people who previously commuted into a council area for their work may now be considering office space closer to home, leading to a rise in demand for shared office space in some areas, that will in part counteract the fall in demand elsewhere.

Covid-19 update (continued)

Lessons Learned (continued)

Many councils have recognized the improvement in community engagement and partnership working with the voluntary sector and other public sector organisations during the pandemic and are seeking to build on this, with a recognition that sharing responsibility for place-based recovery plans can help sustain the improvements gained. Although a shared view of place-based recovery takes an investment of time and resource that not all partner organisations are able to provide.

Wider learning relates to central vs local response to issues such as provision of PPE, housing the homeless and rough sleepers, and provision of food and equipment to the vulnerable. This is currently playing out on test and trace and how local lockdowns should be managed, with ongoing tension between national and local government.

Many councils understand the importance of data in supporting recovery planning decision making, to effectively understand where to prioritise resources and activity in the right way and at the right time to achieve the right outcomes.

The future?

Covid-19 has only increased volatility and uncertainty for local government, and when working with councils delivering Financial Foresight we have prioritized scenario planning to support strategic financial planning. Understanding best, worst and optimum case scenarios from the impact of the pandemic are critical in strategic discussion when setting next year's budget and updating the Medium-Term Financial Plan – impacts on the place and communities, as well as on the council services and the council as an organization. Some councils are more confident than others in being able to manage their financial position during 2020/21 but all are concerned about 2021/22 and beyond. And it is not just Covid-19 scenarios that need to be understood, but other global, national and local issues that will impact over the medium term, including the impact of a no deal Brexit trade deal, and new government policies such as those expected on devolution and health and social care integration.

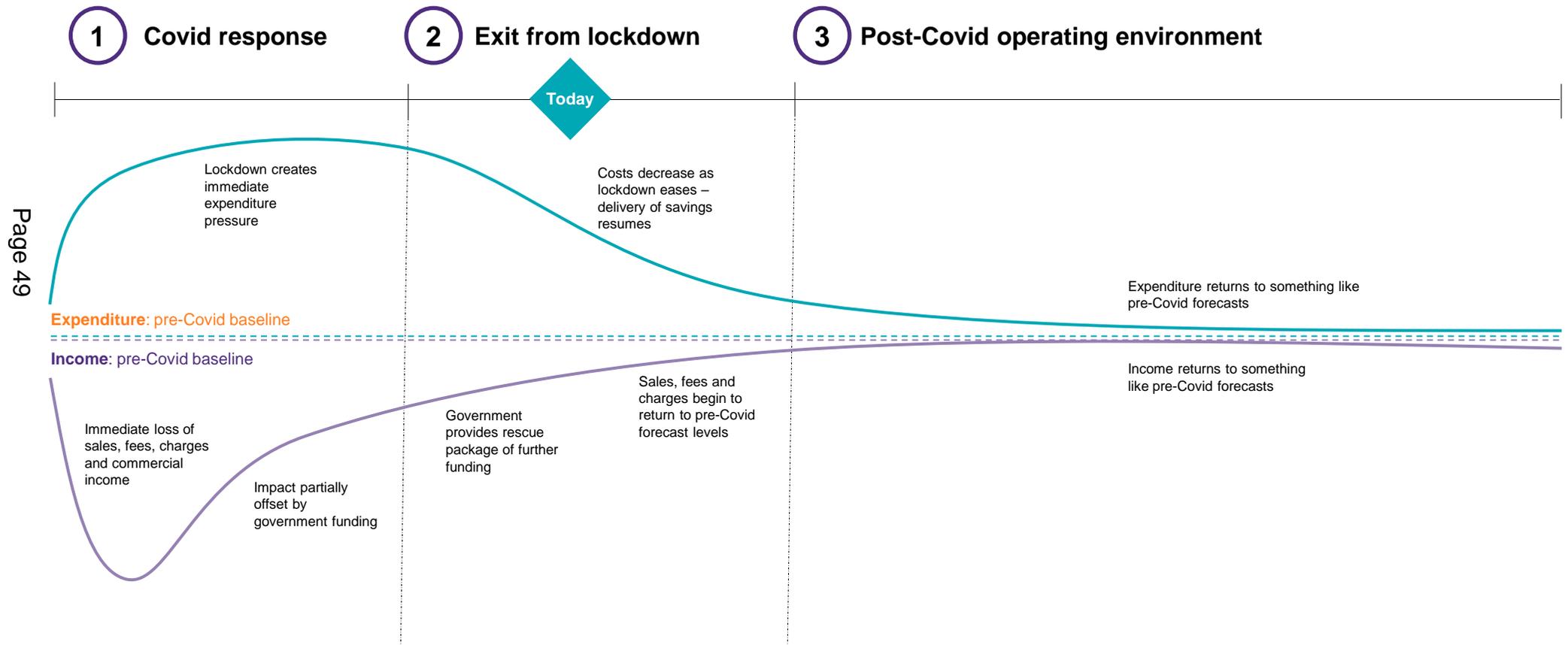
As already noted, places will vary depending on their socio-economic and demographic characteristics, but all councils are working through demand impacts arising from the ongoing pandemic and the associated recession, and ensuring their workforce continue to be supported to ensure they remain personally resilient.

Until a vaccine has been successfully produced and rolled out, the public health threat remains, and there are likely to be further local lockdowns, such as we have seen in Leicester and towns in the north west of England. There could be difficult trade offs for national and local politicians to consider to avert further waves of restrictions. For example to keep schools open after they return in September, will there be a need to increase restrictions elsewhere to ensure the cases of Covid-19 remain at a management level?

Local government has always demonstrated a remarkable resilience in managing significant challenges, including ten years of austerity, and being at the forefront of the pandemic response. And whilst much uncertainty remains, we are confident that councils will continue to demonstrate the capacity to lead places and deliver services.

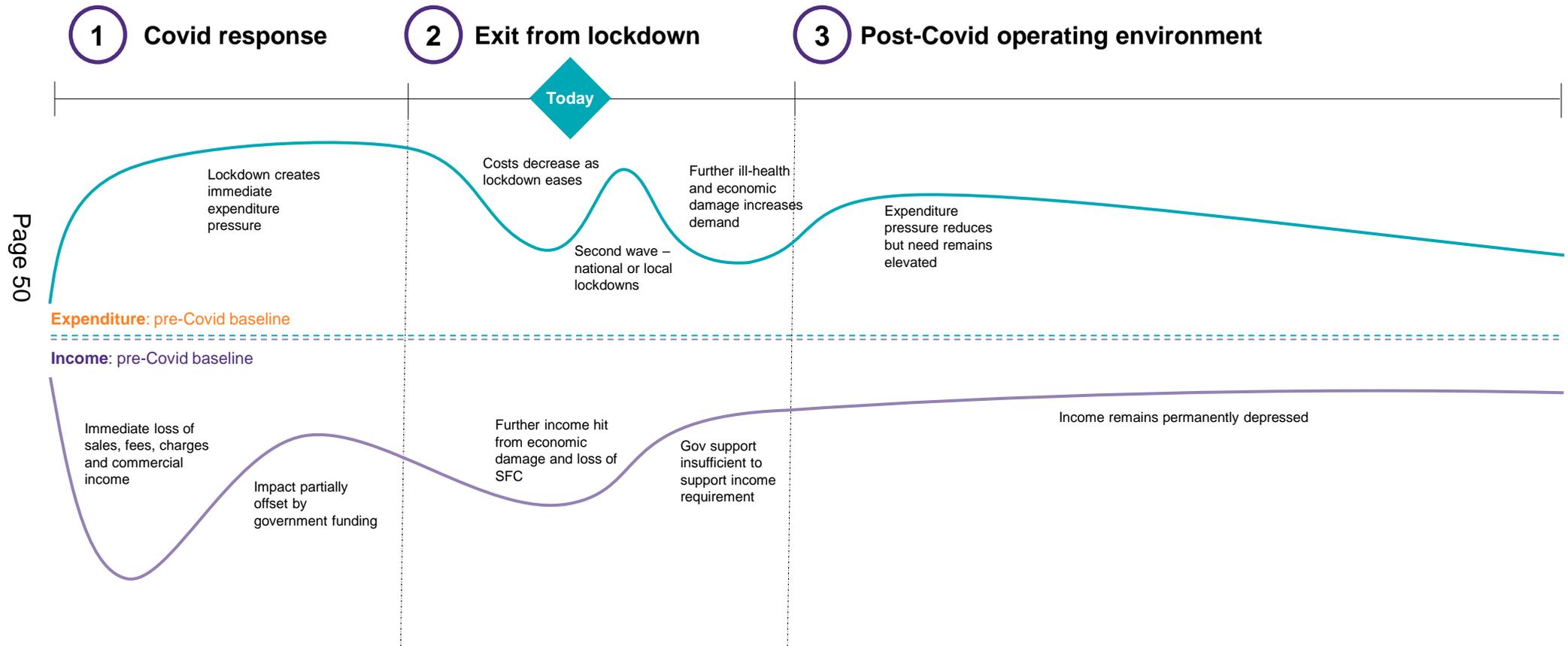
Example scenarios

Scenario 1 – swift return to normality



Example scenarios (continued)

Scenario 2 – second wave and ongoing disruption



Scenarios and hypotheses

Local authority areas in 12-24 months?

Theme	Reasonable worst case	Reasonable best case
People & community	 <ul style="list-style-type: none"> • Multiple lockdowns and ongoing disruption • Community dependency and expectation of sustained response • Turbulence and activism within the VCS • Socio-economic inequality is compounded • Failure of leisure and cultural services 	<ul style="list-style-type: none"> • Smooth exit from lockdown to a “new normal” • Community mobilisation is channelled into ongoing resilience • Strengthened VCS relationships and focus • Systemic response to inequality is accelerated • Leisure and cultural services adapted to social distancing
Business & economy	 <ul style="list-style-type: none"> • 16% reduction in GVA for 2020 based on OBR reference scenario • Slow / uneven economic recovery and “long tail” on unemployment • Central gov / BEIS focus investment on areas furthest behind • Loss of tourist & student spend causes unmitigated damage • 'V' shaped recovery results in 2-3 year recovery period 	<ul style="list-style-type: none"> • 5-10% reduction in GVA • Rapid economic recovery with employment levels close behind • Central government “back winners” with investment • Adaptation allows resumption of tourist and student economy • Business base is weighted towards growth sectors
Health & wellbeing	 <ul style="list-style-type: none"> • Increased demand and escalating need due to fallout from lockdown • Newly-vulnerable cohorts place strain on the system • Unit costs increase further as markets deteriorate and providers fail • SEND transport unable to adapt to social distancing • Imposed disruption of care system 	<ul style="list-style-type: none"> • Positive lifestyle changes and attitudes to care reduce demand • Needs of newly vulnerable cohorts met through new service models • New investment in prevention and market-shaping manage costs • New ways of working leading to stronger staff retention • Locally-led reform of health and care system
Political & regulatory	 <ul style="list-style-type: none"> • Local government side-lined by a centralised national recovery effort • Unfunded burdens (e.g. enforcement and contact-tracing) • Councils in the firing line for mismanaging recovery 	<ul style="list-style-type: none"> • Local government empowered as leaders of place-based recovery • Devolution and empowerment of localities • Councils at the forefront of civic and democratic renewal
Environment	 <ul style="list-style-type: none"> • Opportunity missed to capture and sustain environmental benefits • The end of the high street / town centres • Emissions and air quality worsened by avoidance of public transport • Capital programmes stuck 	<ul style="list-style-type: none"> • Ability to invest in transport modal shift and green infrastructure • Changed working patterns rejuvenate town centres • Sustained impact on emissions due to new behaviours • New, shovel-ready infrastructure programmes
Organisational	 <ul style="list-style-type: none"> • Inadequate funding forces fiscal constraint • Working practices return to status quo – increased operating costs • Imposed structural change within the place • Austerity 2 • Commercial portfolio becomes a liability 	<ul style="list-style-type: none"> • Adequate funding enables a programme of targeted investment • Learning and adaptation to new operating environment • Energised system-wide collaboration and reform • Fiscal reform and civic renewal • Commercial portfolio reshaped for economic and social gain

What strategy is needed in response?

From response to recovery

Learn, adapt and prioritise

- Develop and test hypotheses around impact on place, services, operations, finances
- Design rapid interventions - implement, test and evaluate
- Learning from the response to lock in the good stuff – reflection on operations, services and the system
- Set priorities and principles – what is the Council's purpose in an uncertain context and where will it focus?

Mitigating the worst case

Consolidate and build resilience

- Ensure that emergency management and response structures are resilient for the long haul
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability
- Contingency plans for structural disruption
- Re-evaluate infrastructure pipeline

Steering towards the best case

Invest in renewal

- Programme of priority-based investment framed by recovery and renewal
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces
- Continued system leadership, pushing for positive reform and resilience

In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non-domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

In terms of key financial reporting considerations for 2019/20, consideration should be given to:

Information published with accounts

- Does the Narrative Report reflect the urgency of the situation, the changes to Council services as a result of lockdown, the partnership arrangements in place, the impact of the pandemic on income and expenditure and possible future scenarios, the impact on savings programmes, the capital programme, treasury management, medium term financial plans and the Council's communications strategy (noting this is not an exhaustive list)?
- Does the Annual Governance Statement reflect significant developments between 31 March 2020 and the finalisation of the accounts? Does the AGS describe emergency governance arrangements for decision making, the postponement of elections, the transition to virtual meetings and plans for the return to normal democratic processes?

Non-current asset valuations

- There has been a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19. RICS has issued a Valuation Practice Alert following the pandemic, and we are aware a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Has the Council assessed the impact of such comments, reflected 'material valuation uncertainty' disclosures within the financial statements and taken account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in their financial statements in relation to major sources of estimation uncertainty?

Non-current asset valuations

- The Council is required to make an assessment at the end of each reporting period as to whether there is any indication that assets may be impaired. There are several types of event or change in circumstance that could indicate an impairment may have occurred, including evidence of obsolescence or physical damage or a commitment to undertake a significant reorganisation. Has the Council assessed whether the impact of the pandemic may have triggered impairments?
- Has the Council considered these matters in relation to Investment Property held? Potentially more so for 2020/21, there may be significant declines in asset carrying values, especially for investments in retail or office premises.

Impairment of receivables

- IFRS 9 *Financial Instruments* introduced an expected credit loss model for financial assets which drives earlier recognition of impairments. Has the Council assessed the impact of the pandemic on its expectation of credit losses?
- Impairment of statutory Council Tax and Non-domestic rate debtor balances is also possible. Has the Council observed a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments? Has the Council considered whether recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions? Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions.

Events after the reporting period

- By 31 March 2020 enough was known about the pandemic for accounts preparers and market participants to reflect and, if necessary, adjust assumptions and assessments. By the end of March 2020, it would be extremely difficult to say that the pandemic was not an event that existed and therefore any accounting impact that occurred after this date is not an adjusting event.
- Has the Council distinguished between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date)? Has the Council got arrangements in place to assess events up to the date the final accounts are authorised for issue?

Sources of estimation uncertainty

Has the Council identified the assumptions required about the future and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year? Have these been appropriately disclosed in accordance with the requirements of IAS 1 paras 125-133?

2019/20 financial statements are being prepared in an environment of heightened uncertainty as a result of the pandemic and the situation is evolving and fast moving. We have drawn out some of the key considerations for local authority financial reporting here, but further details can be found in our full report available on the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid19-on-financial-reporting-local-government-sector.pdf>



Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

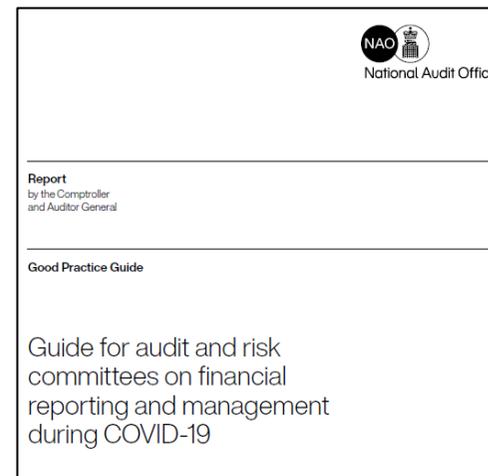
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

- **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.
- **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers from the service sectors who are very likely to lose their jobs because of the pandemic.
- **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.
- **Building on existing initiatives to improve security of tenure and quality of accommodation,** a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

- **Putting key workers at the heart of the Housing strategy.** The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all , a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in COVID-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/>

Place-Based Growth - 'Unleashing counties' role in levelling up England' – Grant Thornton

In March Grant Thornton launched a new place-based growth report 'Unleashing counties' role in levelling up England. The report, produced in collaboration with the County Councils Network, provides evidence and insight into place-based growth through the lens of county authority areas. It unpacks the role of county authorities in delivering growth over the past decade through: desk-based research, data analysis and case study consultations with 10 county authorities (Cheshire East, Cornwall, Durham, Essex, Hertfordshire, North Yorkshire, Nottinghamshire, Oxfordshire, Staffordshire, Surrey).

The report reveals:

- Growth, as measured by Gross Added Value (GVA), in county areas has lagged behind the rest of the country by 2.6% over the last five years. GVA in the 36 county areas has grown by 14.1% between 2014 and 2018, compared to 16.7% for the rest of England.
- In total, 25 of these counties have grown at a rate slower than the rest of the country. The research finds no north-south divide, as the county areas experiencing some of the smallest economic growth are Herefordshire (5.3%), Oxfordshire (5.6%) and Cumbria (8.2%), Gloucestershire (9.2%), and Wiltshire (9.7%) – showing that one size fits all policies will not work.
- Some 30 of the 36 county authority areas have workplace productivity levels below the England average. At the same time, counties have witnessed sluggish business growth, with county authorities averaging 7.9% growth over the last five years – almost half of that of the rest of the country's figure of 15.1% over the period 2014 to 2019.

To address these regional disparities in growth and local powers, the report's key recommendations include:

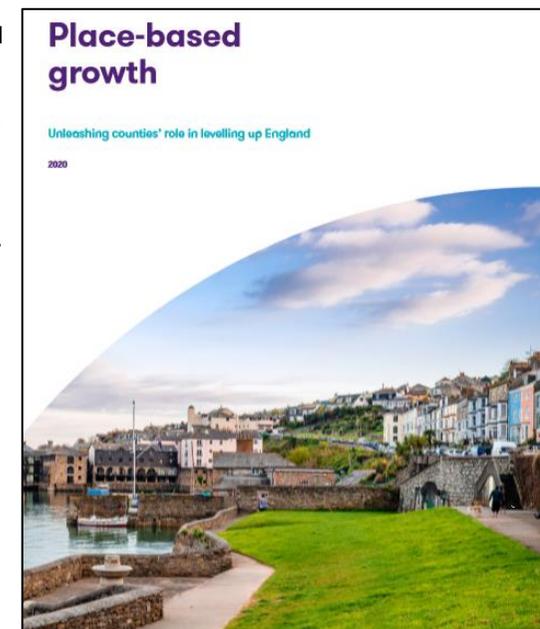
- Rather than a focus on the 'north-side divide', government economic and investment assessments should identify those places where the economic 'gap' is greatest – Either to the national average or between different places – and focus investment decisions on closing that gap and levelling up local economies.

- The devolution white paper must consider how devolution of powers to county authorities could assist in levelling-up the country. This should include devolving significant budgets and powers down to councils, shaped around existing county authorities and local leadership but recognising the additional complexity in two-tier local authority areas and whether structural changes are required.
- Growth boards should be established in every county authority area. As part of this a statutory duty should be placed on county authorities to convene and coordinate key stakeholders (which could include neighbouring authorities). These growth boards should be governed by a national framework which would cover the agreed 'building blocks' for growth – powers, governance, funding and capacity.
- Planning responsibilities should be reviewed with responsibility for strategic planning given to county authorities. In line with the recently published final report of the Building Better, Building Beautiful Commission, the government should consider how county authorities, along with neighbouring unitary authorities within the county boundary, could take a more material role in the strategic and spatial planning process.

- The National Infrastructure Commission should ensure greater consideration of the infrastructure requirements in non-metropolitan areas. Their national infrastructure assessments could consider how better investment in infrastructure outside metropolitan areas could link to wider growth-related matters that would help to level up the economy across the country.

The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/unleashing-counties-role-in-levelling-up-england/>



CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report “draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams”.

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

London Borough of Hammersmith & Fulham

Report to: Audit and Pensions Committee

Date: 15 June 2020

Subject: Treasury Management Outturn Report 2019/20

Report of: Phil Triggs, Director of Treasury and Pensions

Responsible Director: Emily Hill, Director of Finance

Summary

The purpose of this report is to present the Council's annual Treasury Management Outturn Report for 2019/20 in accordance with the Council's treasury management practices. It is a regulatory requirement for this outturn report to be presented to Council by the 30 September of each year.

Recommendations

1. That the Committee notes the annual Treasury Management Outturn Report for 2019/20
-

Wards Affected: None

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
Being ruthlessly financially efficient	Ensuring an optimum borrowing and investment strategy in line with the Council's Treasury Management Strategy Statement

Financial Impact

This report is wholly of a financial nature.

Legal Implications

There are no legal implications in respect of this report.

Contact Officer(s):

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 0207 641 4136
Email: ptriggs@westminster.gov.uk
Verified by Emily Hill, Director of Finance

Name: Adesuwa Omoregie
Position: Head of Law
Telephone: 0208 7532297
Email: Adesuwa.omoregie@lbhf.gov.uk

Background Papers Used in Preparing This Report

Treasury Management Strategy Statement 2019/20 (approved by Council, on 27 February 2019)

DETAILED ANALYSIS**Proposals and Analysis of Options****1. Background and Treasury Position**

1.1 Treasury management in this context is defined as:

“The management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

1.2 This annual treasury report covers:

- the treasury position as at 31 March 2020;
- the borrowing strategy for 2019/20;
- the borrowing outturn for 2019/20;
- compliance with treasury limits and prudential indicators;
- investment strategy for 2019/20; and
- investment outturn for 2019/20.

1.3 The Council’s debt, all held with the Public Works Loan Board (PWLB), and investment positions at the beginning and end of the 2019/20 year were as follows:

	31 March	Rate	31 March	Rate
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	2020 (£m)	(%)	2019 (£m)	(%)
General Fund (GF)	54.7	3.72	36.4	4.77
Housing Revenue Account (HRA)	188.4	4.32	176.5	4.77
Total Borrowing	243.1	4.02	212.8	4.77
Total Cash Invested	209.1	0.77	326.4	0.95
Net Cash Invested	-34.0		113.6	

1.4 The table below shows the allocation of interest paid and received during the year 2019/20:

	Interest Paid £m	Interest Received £m	Net £m
General Fund (GF)	1.8	-1.8	0.0
Housing Revenue Account (HRA)	8.4	-0.4	8.0
Other*		-0.6	-0.6
Total	10.2	-2.8	7.4

* Other – Interest paid on balances held for Section 106 and other deposits.

1.5 Following the implementation of the self-financing initiative for housing, the Housing Revenue Account (HRA) is responsible for servicing 77.5% of the Council's external debt and the General Fund is responsible for the remaining 22.5%.

1.6 The table below shows the split of investments by duration as at 31 March 2020:

Maturity Period	Call (£m)	Fixed (£m)	MMF (£m)	Total (£m)
Liquidity	25.0		47.1	72.1
< 1 Month				
1 – 3 Months		55.0		55.0
3 – 6 Months		50.0		50.0
6 – 12 Months		32.0		32.0
Total	25.0	137.0	47.1	209.1

1.7 The Treasury Management Strategy Statement (TMSS) for 2019/20 was approved by Full Council on 27 February 2019.

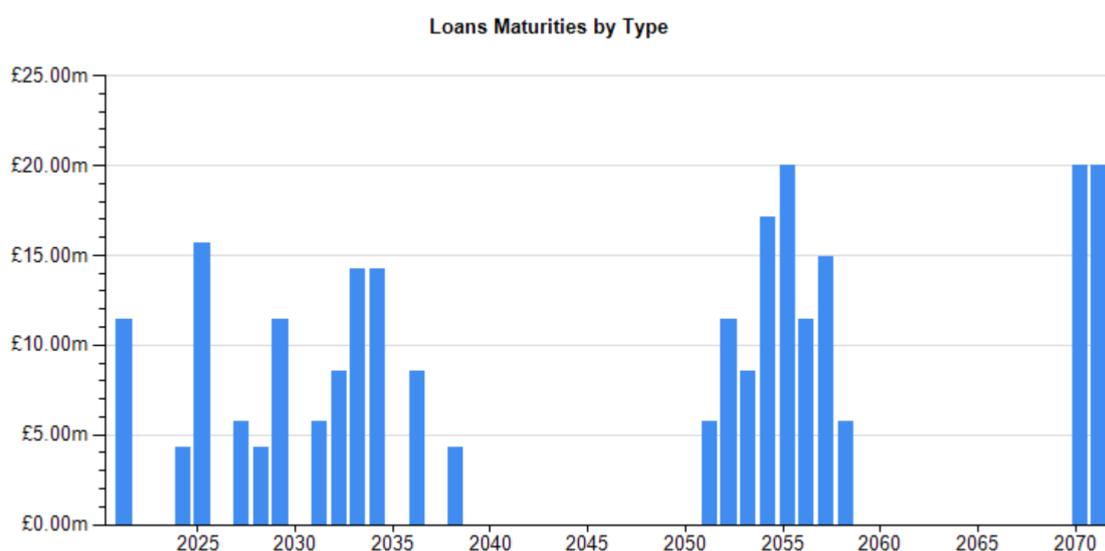
1.8 The TMSS kept investments short-term and invested with highly rated or UK Government backed institutions, resulting in relatively low returns compared with borrowing rates.

2. Treasury Borrowing

2.1 Borrowing totalling £40m was undertaken during the 2019/20 year. Public Works Loans Board (PWLB) debt maturing during the year, totalled £50million with an average nominal interest rate of 2.83%. This resulted in a reduction in debt to £243 million and the average interest rate reduced from 4.77% to 4.02%. The table below details the new loans taken as at 31 March 2020.

Purpose	Amount	Rate (%)	Start Date	Maturity Date
General Fund	£20m	2.07	11/03/2020	11/03/2070
HRA	£20m	1.38	31/03/2020	31/03/2070

2.2 All of the Council's loans are at a fixed rate of interest. The table below shows the debt profile as at 31 March 2020:



2.3 In 2019/20, the HRA PWLB debt of £188.4 million remained below the HRA Capital Financing Requirement (CFR) of £215.8 million, which generates internal borrowing of £27.4 million. This difference does not, as yet, exceed the value of HRA working balances. HRA reserves and working capital, in excess of the internal borrowing, represents cash balances on which interest is allocated from the general fund. As at 31 March 2020, the HRA held cash balances of £188.4 million over and above the £27.4

2.4 As at 31 March 2020, the Council had an under-borrowed position. This means that the capital borrowing need was not fully funded by the existing external loan debt and the balance is funded by cash reserves (known as internal borrowing).

Closing Capital Financing Requirement analysed between General Fund and Housing Revenue Account.

	31 March 2020 CFR £m	31 March 2020 EXTERNAL DEBT £m	31 March 2019 CFR £m	31 March 2019 EXTERNAL DEBT £m
GF CFR (Excluding DSG funded Schools Windows borrowing)	114.1		70.9	
GF CFR (DSG funded Schools Windows borrowing)	11.8		7.4	
Total GF Headline CFR	125.9		78.2	
Finance leases/PFI	9.2		9.8	
Total Closing GF CFR	135.1	54.7	88.0	36.4
HRA TOTAL	215.8		204.9	
Deferred Disposal Costs			5.6	
HRA CFR Total Including Deferred Disposal Costs	215.8	188.4	210.5	1,776.5
TOTAL CFR/DEBT	350.9	243.1	298.5	212.8

3. Treasury Investment

3.1 At 1 April 2020, a significant part of the Council's treasury investment portfolio (£209 million) was held in fixed term deposits with other local authorities, bank notice accounts and enhanced cash funds. Due to market rates remaining relatively low in the tradeable instruments sector, this strategy was maintained with a greater amount allocated to other local authority borrowers.

3.2 The TMSS allowed investment in the following areas:

- an unlimited investment limit with the UK Government (DMO) deposits, UK gilts, Repos and T/Bills.
- up to a maximum of £100 million per counterparty in supra-national banks, European agencies and covered bonds debt on a buy to hold basis with maturity dates of up to five years, Transport for London (TfL) and the Greater London Authority (GLA) bonds for up to three years;
- a limit of £30 million to be invested with any UK Local Authority (subject to internal counterparty approval by the Director of Treasury and Pensions);
- no more than £30 million to be invested with any individual Money Market Fund;
- any financial instrument held with a UK bank limited to £70 million depending on the credit rating and Government ownership above 25% (limit of £50 million);
- any financial instrument held with a non-UK bank limited to £50 million.

- 3.3 The investments outstanding at 31 March 2020 amounted to £209 million invested in short-term deposits. This compares with £319 million short-term investments at 1 April 2019.
- 3.4 The table below provides an analysis of the cash deposits, together with comparisons from the previous year:

	31 March 2017 £m	31 March 2018 £m	31 March 2019 £m	31 March 2020 £m
Liquid Deposits	2.4	-	-	-
Money Market Funds	38.1	83.9	57.9	47.1
Notice Accounts	33.0	70.0	56.0	25.0
Custodian Held Assets	208.1	30.0	-	-
Term Deposits	45.0	115.5	212.5	137.0
Enhanced Cash Fund	-	39.9	-	-
Total	326.6	339.3	326.4	209.1

- 3.5 During 2019/20 cash balances varied between £202 million and £351 million reflecting the timing of the Council's income (council tax, national non-domestic rates, government grants and capital receipts, etc) and expenditure (precept payments, payroll costs, supplier payments and capital projects). The primary reason for the reduced cash balance at the end of the 2019/20 financial year is in relation to a large payment for Earls Court which was paid on 6 December 2019.
- 3.6 The average return achieved on investments managed internally for the year was 0.93% compared with the average 7-day money market rate (uncompounded) of 0.53%. The total interest received of £2.7 million (compared with an weighted average of 0.78% and a total interest £2.4 million for 2018/19). Interest rates remained low throughout the year with the Council following a low risk strategy and avoiding potentially higher returns which would increase counterparty risk

4. Prudential Indicators

- 4.1 During the year the Council operated within the Treasury Limits and Prudential Indicators set out in the TMSS approved by Council on 27 February 2019.
- 4.2 The table below provides a breakdown of the indicators and actual position for the year ending 31 March 2020

Indicator	2019/20 Approved Limit	2019/20 Actual		Indicator Met?
Capital Financing Requirement	£308m	£350.9m		Met
Authorised Limit for external debt ¹	£400m	£243.1m		Met
Operational Debt Boundary ²	£340m			Met
Interest Rate Exposure	Lower Limit	Upper Limit	Actual at 31 Mar 2020	Indicator Met?
Fixed Rate Debt	£0m	£400m	£243.1m	Met
Variable Rate Debt	£0m	£0m	£0m	Met
Maturity Structure of Borrowing				
Under 12 Months	0%	15%	3%	Met
12 Mths to within 24 Mths	0%	15%	0%	Met
24 Mths to within 5 years	0%	60%	9%	Met
5 years to within 10 years	0%	75%	9%	Met
Over 10 years	0%	100%	78%	Met

5. Equality Implications

- 5.1 There are no direct negative implications for protected groups, under the Equality Act 2010, arising from the information presented in this report.

Implications completed by: Fawad Bhatti, Policy & Strategy Officer, tel. 07500 103617.

6. Risk Management Implications

- 6.1 The purpose of this report is to present the Council's Annual Treasury Management Outturn Report for 2019/20 in accordance with the Council's treasury management practices. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities is measured. Risk

¹ The Authorised Limit is the maximum requirement for borrowing taking into account maturing debt, capital programme financing requirements and the ability to borrow in advance of need for up to two years ahead.

² The Operational Boundary is the expected normal upper requirement for borrowing in the year.

levels were set in accordance with the approved Treasury Management Strategy Statement. The Council continues to recognise that effective treasury management provides support towards the achievement of its business and service objectives, specifically Being Ruthlessly Financially Efficient. The identification, monitoring and control of risks are central to the achievement of the treasury objectives. Potential risks are identified, mitigated and monitored in accordance with treasury practice. It is also worthwhile in noting that this covers a period that included considerable uncertainty at a national level during Brexit and in the last quarter of the year the Covid-19 outbreak.

Implications verified by: Michael Sloniowski, Risk Manager, tel 020 8753 2587

List of Appendices:

None.

<p>London Borough of Hammersmith & Fulham</p> <p>AUDIT AND PENSIONS COMMITTEE</p> <p>15 September 2020</p>	
<p>CORPORATE ANTI-FRAUD SERVICE END OF YEAR PERFORMANCE REPORT – 1 APRIL 2019 to 31 MARCH 2020</p>	
<p>Report of the Director of Finance</p>	
<p>Open Report</p>	
<p>Classification - For Information Key Decision: No</p>	
<p>Consultation</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: David Hughes, Director of Audit, Fraud, Risk and Insurance</p>	
<p>Report Author: Andrew Hyatt Shared Service Head of Fraud</p>	<p>Contact Details: Tel: 0207 361 2777 E-mail: andy.hyatt@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1 This report provides an account of fraud-related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2019 to 31 March 2020.
- 1.2 CAFS remains a shared service and continues to reap many benefits, including the sharing of skills and expertise, best practice and the streamlining of anti-fraud related policies and procedures.
- 1.3 CAFS continues to provide the London Borough of Hammersmith & Fulham with a full, professional counter fraud and investigation service for fraud attempted or committed against the Council.
- 1.4 All CAFS work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. CAFS ensures the Council fulfils its statutory obligation under the Local Government Act 1972 to provide the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.

1.5 For the period 1 April 2019 to 31 March 2020, CAFS identified 104 positive outcomes, including 32 recovered tenancies. Fraud identified has a notational value of over £770,000 and is detailed in the following table.

Activity	2018/19		2019/20	
	Fraud proved	Notional Values (£'s)	Fraud proved	Notional Values (£'s)
Housing Fraud	18	126,800	6	3,000
Right to Buy	16	29,800	6	12,000
Advisory Reports (pro-active)	6	14,000	9	23,500
Prevention subtotal	40	170,600	21	38,500
Tenancy Fraud (Council and Registered Providers)	37	432,000	34	430,600
Internal Staff	5	20,500	10	64,000
High/Medium risk fraud (e.g. NNDR, Procurement, Blue Badge)	35	32,450	8	6,000
Low-risk fraud (e.g. Freedom passes, Council Tax SPD)	21	23,689	20	22,992
Detection subtotal	98	508,639	72	523,592
Fraud loss recoveries <i>[incl. Proceeds of Crime]</i>	4	33,581	10	197,695
Prosecution	2	58,300	1	15,000
Press releases and publicity	2	11,000	-	-
Deterrence subtotal	8	102,881	11	212,695
Total	146	782,120	104	774,787

1.6 Between 1 April 2019 to 31 March 2020, CAFS investigated 231 cases, including 99 new referrals, and concluded 92 investigations. A conclusion could mean support of a successful prosecution, successful prevention that stops fraud, a detection that identifies fraud and stops it continuing, an action that deters fraud, or no further action where there is no case to answer.

1.7 The table below shows this activity and details the fraud types that make up the closed cases and live cases as at the start of the current financial year.

Activity	Cases	Fraud types	Closed	Live
Live cases as at 01/04/19	120	Tenancy & Housing cases	114	104
New referrals received	192	Internal Staff	12	2
Closed investigations	175	High/Medium risk fraud	19	8
Positive outcomes	104	Low-risk fraud	26	15
Live cases as at 01/04/20	137	POCA	4	8

2. WHISTLEBLOWING

- 2.1 The Council's whistleblowing policy continues to be the primary support route for staff wishing to report a concern.
- 2.2 Since April 2019 CAFS received three referrals that were accepted under the Council's whistleblowing policy. Two have been closed, although one remains an ongoing investigation.

Allegation	Outcome	Case status
2019/20		
i. Contractor charges	Investigation remains ongoing	Closed
ii. Codes of conduct	Investigation remains ongoing	Ongoing
iii. Conflict of interest	No fraud found – recommendations made to improve controls	Closed

- 2.3 A further whistleblowing allegation was received regarding procurement. Following an initial fact-finding investigation, that found no corroborative evidence, the matter was closed having failed to meet the qualified disclosure criteria.

3. ANTI-FRAUD AND CORRUPTION STRATEGY

- 3.1 The Council's Anti-Fraud & Corruption Strategy covering 2019/20 was based on three key themes: Acknowledge, Prevent and Pursue, and aligned with the National Strategy.

- 3.2 The strategy places emphasis on the following anti-fraud activities:

- i. **Acknowledge:** recognising and understanding fraud risks and committing support and resource for tackling fraud to maintain a robust anti-fraud response.
- ii. **Prevent:** preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- iii. **Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

4. ACKNOWLEDGE

Maintain a robust anti-fraud response.

- 4.1 There are three critical elements of the operational plan that underpins and drives the Anti-Fraud and Corruption Strategy, and CAFS refer to this as the *Fraud Resilience Triangle*. The triangle is formed of:
- 1) Fraud Risk Register (*Acknowledge*)
 - 2) Pro-Active Work Programme (*Prevent*)
 - 3) Reactive Referrals (*Pursue*)
- 4.2 CAFS continue to dedicate resources to pro-active operations which either review the fraud risk of a Council service, and informs the fraud risk register, or counter-fraud drives that detect, deter and disrupt fraud. For example, a series of tenancy checks on a large residential block or estate.
- 4.3 Combining pro-active work plans with reactive capability increases the chances of fraud detection but also acts as a robust preventative measure, especially if overt activities disrupt potential fraudsters.
- 4.4 Details of concluded risk reviews and pro-active counter fraud activity are reported in Appendix 1.

5. PREVENT

- 5.1 In addition to the specialist investigative role, CAFS continue to provide advice and support across the organisation, including the Council's partners and contractors.
- 5.2 Advice varies between fraud risk, fraud prevention and detection, money laundering and other criminal activity as well as misconduct and misuse of public funds. Some of the matters may progress to a criminal investigation, but in all cases, appropriate action, including disciplinary or loss recovery, is taken.
- A fraud awareness session was provided to contract managers as part of the procurement ethics and conduct work being undertaken. The presentation by CAFS was entitled "fraud in contracts and procurement" and was well-received by attendees.
 - Fraud awareness article sent to residents in Banim Street Sheltered Housing following a tenancy fraud. (Further work is being undertaken with the shelter scheme managers, and more awareness sessions are to be scheduled).
 - National Anti-Fraud Network (NAFN) alert informed councils that fraudsters were targeting NNDR and Council Tax accounts with stolen credit/debit cards. Appropriate departments were alerted to this emerging fraud risk.

- 5.3 This element, along with the 'preventative – deterrent' nature of CAFS work is hard to quantify but where appropriate CAFS will highlight this activity within their reports to this Committee.

Corporate investigations

- 5.4 Corporate investigations are fraud cases which relate to employee fraud or more complex third-party fraud investigations. It also includes activity undertaken by CAFS, which supports the prevention aspect of the Anti-Fraud and Corruption Strategy.

- 5.5 Since 1 April 2019 work in this area has included:

- An investigation into a former employee who had misused Council property was undertaken. A review of processes identified a control weakness and made recommendations to improve the fraud control environment. Although insufficient evidence was gathered to prove a criminal offence, the intelligence amassed as a result of the investigation was referred to the local police.
- A referral from Human Resources alleged that an employee might have failed to declare secondary employment and the potential conflicts of interest associated with this. A subsequent investigation corroborated the allegations and proved that a Council employee had failed to declare being the Director of a company when completing a declaration of interest form. These enquiries revealed that the employee had also failed to make a declaration when a second company was formed. The investigation report and evidence amassed by CAFS was presented at the subsequent disciplinary proceedings, which resulted in a dismissal.
- A whistleblowing referral raised concerns regarding the adopted processes of a service, with specific reference to data protection breaches and the falsifying of statistical records. The subsequent investigation found that an item of controlled stationery was not GDPR compliant, although no reportable data protection breaches had been made. No other evidence of wrongdoing was found.
- An investigation by CAFS found that revenue received for after school activities had not been banked for a significant period. Instead, it had remained held in the school safe. No evidence of fraud was found, but control weaknesses were identified.
- A referral was received by CAFS, which raised concerns regarding a potential conflict of interest within a department whose activities included significant procurements. The investigation revealed that similar allegations had previously been brought to the attention of the Head of Service. The potential conflict had been treated, and any associated risks mitigated. A new potential conflict was identified and reported to management for review and mitigation.

Housing/Tenancy Fraud

- 5.6 CAFS provides an investigative service to all aspects of housing, including the verification applications for housing support, as well as requests for the succession or assignment of tenancies. CAFS also investigate allegations of subletting or other forms of tenancy breaches as well as the checking of all right to buys.
- 5.7 Between 1 April 2019 to 31 March 2020, CAFS successfully recovered 31 properties which were being misused. These have now been allocated or made available to those in genuine need of housing support.
- 5.8 Properties recovered include one four-bedroom and four three-bedrooms which are in high demand by families needing support and assistance. Full details of successful investigation activity regarding social housing are detailed in the table below.

Landlord	Location	Postcode	Size (bedrooms)	Reason for recovery	Outcome
Council	Crefeld Close	W9	2	Subletting	Property surrendered
Council	Fulham Palace Road	SW6	2	Subletting	Property surrendered
Council	Joanna House	W6	2	Non-residency	Property surrendered
Council	Linacre Court	W6	2	Non-residency	Property surrendered
Council	Michael Stewart House	SW6	1	Subletting	Court possession
Council	Churchward House	W14	1	Abandonment	Court possession
Council	Barclay Close	SW6	2	Succession	Property surrendered
Council	Longford Court	W12	3	Subletting	Property surrendered
Council	Kenneth Younger House	SW6	3	Abandonment	Court possession
Council	Cathnor Road	W12	2	Subletting	Property surrendered
Council	Hammersmith Grove	W6	1	Subletting	Property surrendered
F/Mosaic	Mellitit Street	W12	2	Abandonment	Property surrendered
Council	Arthur Henderson House	SW6	3	Subletting	Property surrendered
Council	Sinclair Road	W14	2	Subletting	Court possession
Council	Bentworth Road	W12	3	Succession	Property surrendered
Council	St Dunstons Road	W6	4	Subletting	Property surrendered
Council	Alex Gossip House	SW6	2	Abandonment	Property surrendered
Council	Banim St	W6	1	False identity	Property surrendered
Council	32 Richmond Way	W12	2	Succession	Property surrendered
Council	College Court	W6	2	Subletting	Court possession
Council	5 Althea Street	SW6	1	False docs	Court possession
Council	11 Pelham House	W14	2	Non-residency	Property surrendered
Council	47 Ellenborough House	W12	3	Abandonment	Property surrendered
Council	44 Lannoy Point	SW6	Studio	Non-residency	Property surrendered
Council	98 Phipps House	W12	2	Subletting	Property surrendered
Council	59 Mellitus Street	W12	2	Subletting	Property surrendered
Council	88 Fulham Court	SW6	1	Non-residency	Property surrendered
S/Bush H.G.	57a Vespan Road	W12	2	Non-residency	Property surrendered
Council	25 Grey House	W12	2	Subletting	Property surrendered
Council	56 Hartopp Point	SW6	2	Subletting	Property surrendered
Council	8 Hartopp Point	SW6	1	Subletting	Property surrendered
S/Bush H.G.	40b Hestercombe Avenue	SW6	1	Subletting	Property surrendered

- 5.9 Cases of note are detailed in Appendix 1.

Right to Buy (RTB)

- 5.10 CAFS apply an enhanced fraud prevention process to all new RTB applications, including anti-money laundering questionnaires as well as financial and residential verification.
- 5.11 For the period 1 April 2019 to 31 March 2020, CAFS has successfully prevented six Right to Buys from completion, where suspicion was raised as to the tenant's eligibility or financial status. In many instances, these have been as a result of the tenant voluntarily withdrawing their application once checking commenced.
- 5.12 The prevention work undertaken by CAFS in respect of RTB continues to protect valuable Council stock, although there has been a decline in RTB applications.

National Fraud Initiative (NFI)

- 5.13 A vital component of the anti-fraud and corruption strategy is making better use of information and technology.
- 5.14 The Council participates in the National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and error.
- 5.15 To date over 679 matches have been processed, 96 cases where fraud or error was identified (including correcting Council records), and 105 matches remain under review.
- 5.16 The tables below highlight the number of reports received from the NFI exercise and the outputs to date.

Report Type	Number of Reports	Fraud & error	Fraud & error value*
Blue Badges	4	55	£31,625
Parking Permits	11		
Council Tax Reduction Scheme	33		
Housing Benefit	19	36	£133,176
Pensions	13		
Housing Tenants	20		
Right to Buy	2		
Waiting List	4	5	£16,200
Personal Budgets	4		
Residential Care Homes	3		
Alcohol Licence	3		
Creditors	11		
Procurement	2		
	129	96	£181,001

*notional values calculated by the Cabinet Office

- 5.17 It should be noted that these figures are not included in the table at para 1.5.

6. PURSUE

Deterrence

- 6.1 Stopping fraud and corruption from happening in the first place must be our primary aim. However, those who keep on trying may still succeed. It is, therefore, essential that a robust enforcement response is available to pursue fraudsters and deter others.

Proceeds of Crime Act 2002 (POCA)

- 6.2 Prompt and efficient recovery of losses is an essential component in the fight against fraud, and the Proceeds of Crime Act is a crucial part of the Council's counter-fraud strategy.
- 6.3 For the period 1 April 2019 to 30 March 2019, CAFS fully recovered £197,695 via POCA. This includes £116,014 in respect of two housing benefit cases that were initially brought to justice in 2016/17.
- 6.4 The Act remains a powerful deterrent and is deployed by the Council where appropriate to recover fraud losses and deter potential fraudsters. The use of POCA by CAFS makes fraudsters aware that every effort will be made by the Council to recoup losses and confiscate assets gained as a result of criminal activity.

Local Government Access to Information Act – background papers used:

None.

Appendices:

Appendix 1 - Anti-Fraud Activity 1 April 2019 to 30 September 2019

Anti-Fraud Activity 1 April 2019 to 30 September 2019

Source	Fraud Review	Details	Risk
Risk Review	<p>Council Tax Refunds</p> <p>Residents pay council tax a month (or sometimes a year) ahead. This means it's common for a resident to be in credit when they move home.</p> <p>A risk review was undertaken of the refund process to ensure adequate anti-fraud controls were deployed and functioning correctly.</p> <p>Perceived fraud risks included:</p> <ul style="list-style-type: none"> • False requests for refunds • Insider fraud <p>A data set consisting of quantitative and qualitative data were analysed to highlight any anomalies, patterns, trends and correlations within a sample of 364 Council Tax Refunds covering the period from November 2018 to September 2019.</p>	<p>Methodology</p> <p>A duplication analysis methodology was applied to identify the frequency of quantitative and qualitative values to recognise any correlations between Sort Codes, Account Numbers, Refund Names, Account Holder Names and Refunds.</p> <p>The data was then dissected, and the data range distribution was used to identify accounts which had received the highest values of council tax refund. A further cluster analysis was then conducted to identify and interrogate all accounts which had been refunded any amount over £1,000.00. A further study identified anomalies within the accounts were the Account Name, and Refund Name did not correspond.</p> <p>Findings</p> <p>A total of 32 cases were identified for further checking. This included nine instances where the Account Name and Refund Name did not correspond and three potential duplicate payments.</p> <p>In all instances, the possible anomalies were explained away, and confirmation of the approval/authorisation process verified.</p> <p>Anti-Fraud Controls</p> <p>Both preventative and detective controls were present and effective to ensure refunds were paid correctly. These included detailed procedures, step by step guides, segregation of duties, supervisory checking and managerial authorisation.</p>	<p>Fraud risk register</p> <p>LOW = 3</p> <p>Impact = Very low 1 [Very low financial loss, a small political risk with low media coverage; low reputational risk]</p> <p>Likelihood = Possible 3 [No occurrence in LBHF, but known incidents outside the organisation]</p>

Anti-Fraud Activity 1 April 2019 to 30 September 2019

<p>Risk Review</p>	<p>Shared Service Fostering and Adoption Service</p> <p>The Shared Service Fostering and Adoption Service provide a range of temporary and permanent placements with Carers and adoptive families for children under the care of the local authority.</p> <p>CAFS review of this Service was prompted by a recent fraud case in Oxfordshire where a foster carer fraudulently obtained over £100,000 over five years. In the scam, the carer continued to pocket payments which were regularly paid to him and his partner for fostering children, despite the child having left the home.</p> <p>Although Internal Audit conducted an audit in April 2019, the purpose of this Risk Review was to focus solely on the detection and prevention controls.</p>	<p>Methodology</p> <p>A meeting was arranged with the Head of Service to walk through processes and to discuss existing controls, especially those that would prevent a similar fraud from occurring.</p> <p>Findings</p> <p>The Service undertakes monthly review meetings. This includes monthly meetings with Heads of Service and Finance, as well as an additional monthly meeting with Line Managers and Finance.</p> <p>These meetings enable a complete overview of all children who are currently in care and children who have moved. This review ensures the Service can identify potential overpayments that might arise due to changes in circumstance and intervene accordingly.</p> <p>Foster carers are visited by the Service every four weeks.</p> <p>An Annual Financial Review ensures evidence of school reports, financial statements including proof of income/expenditure and proof of residency are seen. If this information is not provided within a month, payments are ceased.</p> <p>Conclusion</p> <p>The review found that management had been alert to the risks of fraud and that they were taking appropriate actions to ensure that controls were in place to reduce overpayments and to prevent and detect fraud by carers and special guardians.</p>	<p>Fraud risk register</p> <p>Risk score</p> <p>Low = 9</p> <p>Impact = Medium 3 [Financial loss could reach £100k, political and reputational risk]</p> <p>Likelihood = Possible 3 [No occurrences in LBHF, but known incidents outside the organisation]</p>
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Anti-Fraud Activity 1 April 2019 to 30 September 2019

<p>Risk Review</p>	<p>Electoral Registration: Canvassers</p> <p>Every year the Council’s Electoral Registration Officer (ERO) has a legal duty to undertake a canvass of all households and produce a revised Register of Electors by 1 December.</p> <p>To meet that legal duty, the ERO employs a team of canvassers to assist with the annual revision of the Register of Electors. Canvassers are given training and a guide before any work being carried out. They are paid for completing deliveries of Household Enquiry Forms and visiting residents to gather information as to who lives in each household.</p> <p>CAFS review of this Service was to check compliance and ensure canvass staff had declared and claimed the correct hours worked.</p>	<p>Scope: CAFS review of this Service was to check compliance and ensure canvass staff had declared and claimed the correct hours worked.</p> <p>Methodology: Samples were selected from the 2018 canvass, and paperwork was checked to identify any possible discrepancies that might indicate false information had been tendered.</p> <p>Household Enquiry forms were checked, which show details of visits that were carried out, including date and time of visit, name and address of residents. These were compared to timesheets and the declared hours of work.</p> <p>Canvassers were also interviewed to clarify information where discrepancies were found.</p> <p>Findings: Although some discrepancies were identified, no evidence suggested any intention to deceive or falsify records. When questioned, some canvassers explained that it was not always practical to complete times and date information while on resident’s doorsteps, but instead completed these later on with estimated times.</p> <p>Conclusion: CAFS were satisfied that canvass staff had declared and claimed the correct hours worked and that the findings of the review provided assurance of compliance.</p>	<p>Fraud risk register</p> <p>Risk score</p> <p>Risk score reduced ↓ Low = 9</p> <p>Impact = Medium 3 [Political and reputational risk]</p> <p>Likelihood = Possible 3 [Known occurrences]</p> <p>Previous: Impact = Medium 3 and Likelihood = 4 possible. Medium 12</p>
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Anti-Fraud Activity 1 April 2019 to 30 September 2019

	Case Description
1.	<p>SUCCESSION FRAUD – A succession application was received concerning a property in Richmond Way, W12. The request came from two brothers who claimed links to the deceased tenant.</p> <p>Enquiries found little evidence of the applicants ever living at the address as their main and principal home, and more sensitive enquires found that they had previously assaulted the tenant and that a restraining order was in place to protect the former tenant from harassment. This had been served on them to keep them away from the property.</p> <p>When investigators challenged the applicants, they agreed to surrender the property and return the keys immediately. Initially, they failed to fulfil this promise. But following further conversations, the keys to this two-bedroom property were handed to the housing officer and vacant possession was returned to the Council.</p>
2.	<p>HOUSING FRAUD - A female contacted the Council, claiming she was destitute and needed assistance finding a new council property. Having been the private tenant of a property in Askew Crescent, W12, she told the Housing Department that her landlords had sought, and been granted, possession of the property on the grounds of rent arrears, thereby making her homeless.</p> <p>She disputed the rent arrears and provided Santander bank statements showing rental payments referenced "Faster Payments Rent Ref Askew Crescent". However, vigilant housing officers raised concerns regarding the authenticity of the bank statements and referred the matter to CAFS.</p> <p>Using powers under the Prevention of Social Housing Fraud Act, investigators approached Santander to verify the statements. They provided certified copies which clearly showed the statements, submitted in support of the homeless claim, were false.</p> <p>Charges were laid against the applicant, and a trial date was set for March 2019 at Isleworth Crown Court. However, the date was deferred to November 2019.</p> <p>Ahead of the start of the trial, the defendant's solicitors made representations to the court that she wanted to plead guilty. On Monday, 11 November 2019, she pleaded guilty to fraud by false representation.</p> <p>The defendant was sentenced to six months imprisonment, suspended for two years.</p>

Anti-Fraud Activity 1 April 2019 to 30 September 2019

3.	<p>TENANCY FRAUD – CAFS were alerted to possible fraud by the fire safety team during a review of Hartopp Point on the Aintree Estate. During their inspection regime, they had failed to find the tenant at home and had seen unknown tenants at the property.</p> <p>Initial checks on the address found several third parties had financial links, while the tenant was linked to another property in the borough where her mother lives. However, when that address was researched, it raised concerns regarding the mother's tenancy and a parallel investigation by CAFS recovered that address during the inquiry into Hartopp Point.</p> <p>As the investigation into Hartopp Point gathered momentum, the investigator found that the tenant had spent significant periods outside of the UK in the USA. Additionally, the various third parties that had financial links to Hartopp Point appeared to be subtenants.</p> <p>One former subtenant was traced and provided the investigator with a witness statement. A neighbour was also willing to provide information regarding the various subtenants they had seen coming and going.</p> <p>Using powers under the Prevention of Social Housing Fraud Act the tenant's bank statements were obtained and revealed payments referenced to property in the USA and this corroborated open source intelligence that suggested the subject owned two properties in the state of Nevada and another in California.</p> <p>The tenant was invited to attend an interview under caution but failed to respond. When the investigator tried to call the tenant, the officer noted the ringing tone sounded distinctly longer as is usual, which is commensurate with overseas calls, thereby suggesting the tenant remained out of the country.</p> <p>A possession order was served and progressed to court. The defendant failed to attend, and possession was awarded to the Council unchallenged in the tenant's absence. The eviction was implemented in October 2019.</p>
4.	<p>SINGLE PERSON DISCOUNT – During a tenancy fraud investigation on a property in Norland House, W11, the investigation found the tenant was resident and that the suspicions of tenancy fraud were unfounded. However, the enquiries undertaken by CAFS ascertained that additional family members were resident at the property.</p> <p>This information contradicted with the Council Tax (CT) records where a single person discount had been claimed for several years. The new information obtained by CAFS was applied to the CT account, and a new bill was raised for an additional £693.02. An invoice was generated, and repayment is being made by the tenant to reduce and clear the debt.</p>

Anti-Fraud Activity 1 April 2019 to 30 September 2019

5.	<p>TENANCY FRAUD - Referral received from Shepherds Bush Housing Group asking for assistance in respect of a subletting allegation. They had received information that the tenant of a flat in Hestercombe Avenue, SW6, was no longer living at the property and may have moved.</p> <p>Initial checks revealed links between the tenant and the Doncaster area, and as when the investigator delved deeper into the linked address they discovered that the tenant was the joint owner of a three-bedroom terrace house in the Arksey area of Doncaster.</p> <p>When investigators visited the Hestercombe Avenue unannounced, they found a young man living at the property. He referred to the tenant by name and called her the "landlord". He explained that he and his partner had been living at the property since the end of 2018. They found the property on the website SpareRoom and paid a deposit of £500 and then £1,000 per month. He confirmed he paid the landlord by bank transfer as she resides "somewhere up north".</p> <p>A witness statement and documentary evidence were obtained from the subtenant and details passed to Shepherds Bush Housing Group who served notices seeking possession. An unlawful profit order for £5,000 was also served on the tenant to repay any of the profit she had obtained by subletting social housing.</p> <p>Shortly after the tenant approached Shepherds Bush Housing Group to settle the matter immediately, returning the key and making a compensation payment of £5,000.</p> <p>In return for CAFS assistance, Shepherds Bush Housing Group have awarded the Council nomination rights to a one-bedroom property. This can now be used to help those in need of support and assistance.</p>
6.	<p>TENANCY FRAUD - Housing staff working to decant residents of Hartopp Point reported difficulties contacting a tenant, and during their work at the property had observed two men removing furniture from the property. When challenged, they explained the tenant was away but would be back soon.</p> <p>Initial checks by CAFS found that there was a distinct lack of financial activity linked to the tenant and when they undertook border checks they discovered the tenant had not been in the UK since 2017 when they travelled to Algeria.</p> <p>Further checks on the tenant's children, including searches of the education system, showed that the children had not enrolled at any school in the UK, nor were they registered as home-schooled.</p> <p>Because of the evidence amassed, housing officers promptly served notices and obtained possession forthwith.</p>

Anti-Fraud Activity 1 April 2019 to 30 September 2019

7.	<p>TENANCY FRAUD – CAFS received a referral from the Education Department when the tenant of a flat on the White City Estate told them that her four children were all being home-schooled outside the UK, in Canada.</p> <p>Initial enquiries returned negative including no active credit for the tenant at the White City address. However, there were links for her sister to the address. Border checks showed the tenant had regularly travelled to Canada and stayed for long periods. Checks also revealed she held both a UK passport and a Canadian passport.</p> <p>Investigators visited the property unannounced and found the sister living there. She said she didn't know where the tenant was, possibly in Harlesden caring for her father, but that she had no way of contacting her.</p> <p>Notices seeking possession were served, and this prompted the tenant to contact officers who invited her to attend an interview. During the meeting, she denied subletting, denied passing the tenancy on to her sister and said she did not live in Canada.</p> <p>At the end of the interview, officers asked her to bring in both her passports so that they could inspect her travel. She agreed, but the following day she contacted the housing officer and terminated her tenancy to this two-bedroom flat forthwith.</p>
8.	<p>TENANCY FRAUD - CAFS received an allegation from the area housing officer stating that neighbours who believed that the tenant had moved. Neighbours said the tenants of this two-bedroom flat on the White City Estate were living overseas.</p> <p>When investigators conducted unannounced visits to the property, they found unknown third parties resident at the flat although they were not willing to cooperate with our investigators.</p> <p>Searches were unable to locate the tenants elsewhere in the UK, but border checks found the tenants had left the UK and had not returned.</p> <p>A letter was sent to the address, arranging a notified visit to the property, and when officers arrived, they were greeted by the tenant's son who answered the door. The son explained that his father had gone to Portugal for a family emergency and would be returning soon. However, when officers said that he left the UK in 2014 and never returned, he had no response.</p> <p>Notices were served, and the case progressed to court where possession was awarded to the Council unchallenged.</p>

Anti-Fraud Activity 1 April 2019 to 30 September 2019

9.	<p>BLUE BADGE FRAUD (Temporary employee) – A temporary member of staff was found misusing her mother’s disabled blue badge to park her car in the vicinity of her workplace, Beavor Lane, W6.</p> <p>The employee’s response, when challenged, was that the badge had remained in her windscreen after driving her mother and she had left it there when she drove to work.</p> <p>The misuse is a criminal offence, and the case is currently being progressed through the criminal court although adjourned due to COVID19 pandemic. The employee’s contract has been ended.</p>
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<p>London Borough of Hammersmith & Fulham</p> <p>AUDIT AND PENSIONS COMMITTEE</p> <p>15 September 2020</p>		
<p>ANTI-FRAUD AND CORRUPTION STRATEGY REVIEW</p>		
<p>Report of the Director of Finance</p>		
<p>Open Report</p>		
<p>Classification - For Information Key Decision: No</p>		
<p>Consultation</p>		
<p>Wards Affected: All</p>		
<p>Accountable Director: David Hughes, Director of Audit, Fraud, Risk and Insurance</p>		
<p>Report Author: Andrew Hyatt Shared Service Head of Fraud</p>		<p>Contact Details: Tel: 0207 361 2777 E-mail: andy.hyatt@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

1.1 The Audit and Performance Committee is responsible for the effective scrutiny of anti-fraud arrangements and activities, the Audit Pensions and Standards Committee:

- review and approve anti-fraud policies and strategies
- is responsible for gaining assurance that policies are kept up to date and are fit for purpose.

1.2 This paper contains the revised Anti-Fraud and Corruption Strategy 2020, for review and approval.

2. RECOMMENDATIONS

2.1 Note and approve the updated anti-fraud and corruption strategy.

3. REASONS FOR DECISIONS

- 3.1 To inform the Committee of policy revisions and to provide assurance that policies are kept up to date and are fit for purpose.

4. ANTI-FRAUD POLICIES

- 4.1 Minimising any losses to fraud and corruption is an essential part of ensuring that all of the Council's resources are used for the purposes for which they are intended and ensuring we remain ruthlessly financially efficient.
- 4.2 Staff are often the first to spot possible cases of wrongdoing at an early stage and are therefore encouraged and, indeed, expected to raise any concern that they may have, without fear of recrimination. Any concerns raised will be treated in the strictest confidence and will be appropriately investigated.
- 4.3 It is therefore vitally important that anti-fraud policies are kept up to date to support and guide Council staff, ensuring compliance with laws and regulations, giving guidance for decision-making, and streamlining internal processes.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1 The Director of Audit, Fraud, Risk and Insurance is required to provide an annual report and opinion on the Council's system of internal control under the Public Sector Internal Audit Standards. This includes having appropriate arrangements for protecting, detecting and deterring fraud against the Council.

6. CONSULTATION

- 6.1 The report has been subject to consultation with the Strategic Leadership Team.

7. EQUALITY IMPLICATIONS

- 7.1 There are no equality implications arising from this report.

8. LEGAL IMPLICATIONS

- 8.1 The work of CAFS is governed by a range of legislation including: the Police and Criminal Evidence Act, the Criminal Procedures Investigation Act, the Regulation of Investigatory Powers Act, the Fraud Act, the Prevention of Social Housing Fraud Act and the Proceeds of Crime Act.

9. FINANCIAL AND RESOURCES IMPLICATIONS

- 9.1 Resources required to deliver on the Council's counter fraud strategy come from the budget allocated to the Corporate Anti-fraud Service. There are no additional resource implications arising from this report. Successful

investigations and prosecutions can lead to the recovery of Council assets and money which are required to protect front line services.

10. RISK MANAGEMENT

10.1 The delivery of the counter fraud strategy and associated policies contributes to the management of fraud risks faced by the Council, with proactive exercises supporting managers to put effective counter fraud and corruption controls in place in their systems and processes.

11. PROCUREMENT AND IT STRATEGY IMPLICATIONS

11.1 There are no procurement or IT strategy implications arising from this report.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

None.

Appendices:

Appendix1 – Anti-Fraud and Corruption Strategy 2020

London Borough of Hammersmith & Fulham ANTI-FRAUD AND CORRUPTION STRATEGY 2020-2023

1. INTRODUCTION

- 1.1 The Council takes its responsibilities to protect the public purse very seriously and is committed to protecting the public funds that it administers. This Strategy and framework set out the Council's commitment to preventing, detecting and deterring fraud and corruption.
- 1.2 Every £1 that the Council loses to fraud is £1 that it cannot spend on supporting the community. Therefore, minimising fraud and corruption is everyone's business. The Council expects the highest standards of probity, propriety and conduct from all Members, employees and contractors. This includes a requirement to act lawfully and to comply at all times with the Council's policies, procedures and regulations.
- 1.3 The Council is committed to promoting a strong ethical and counter fraud culture. This document sets out the Council's Strategy about fraud and corruption, and it is the mechanism for achieving this commitment.
- 1.4 The Strategy is not just concerned with operational activity to detect and investigate fraud and corruption but also sets out objectives for pro-active actions to deter and prevent fraud and corruption through the continual development of an anti-fraud and corruption culture.

2. THE STRATEGY

- 2.1 The Anti-Fraud and Corruption Strategy forms part of the Council's counter fraud framework, a collection of interrelated policies and procedures including the Code of Conduct, Financial Regulations and Whistle Blowing Policy. It also includes policies and procedures that are specifically targeted at countering fraud and corruption.
- 2.2 The purpose of the Strategy is to provide management with a tool to ensure progress and transparency with regards to counter-fraud activities. It is designed to heighten the Council's fraud resilience and demonstrate its protection and stewardship of public funds.
- 2.3 In developing this Strategy, the Council has adopted the guiding principles included in "[Fighting Fraud and Corruption Locally 2020](#)" (FFCL2020) which is the counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top.
- 2.4 The Council played a significant role in the design and development of the national Strategy, and this support is acknowledged by our corporate logo appearing on page two of the strategy publication.

3. FRAUD AND CORRUPTION

- 3.1 The Fraud Act 2006 details the legal definitions of fraud and is used for the criminal prosecution of fraud offences. The Council also deals with fraud in noncriminal disciplinary matters.
- 3.2 For the purposes of this document fraud defined as; the dishonest action designed to facilitate gain (personally or for another) at the expense of the Council, the residents of the Borough or the wider national community.
- 3.3 The definition covers various offences including; deception, forgery, theft, misappropriation, collusion and misrepresentation. Although used in this context it is not intended to limit the full use of the Fraud Act 2006 by the Council.
- 3.4 Corruption is the offering or acceptance of inducements designed to influence official action or decision making. These temptations can take many forms, including cash, holidays, event tickets, meals and other hospitality.

4. STRATEGIC OBJECTIVES

- 4.1 The previous two anti-fraud and corruption strategies focused upon pillars of activity, or strategic objectives, where the Council concentrated its counter-fraud efforts. These were ‘acknowledge’, ‘prevent’ and ‘pursue’. two areas of activity have emerged that underpin tenets of those pillars; ‘govern’ and ‘protect’.



5. ACHIEVING OUR OBJECTIVES

1. GOVERN

- 5.1 The driving force of the Strategy is that those who are charged with Governance support the activity by ensuring that there are robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.
- 5.2 Beating fraud is everyone's business, and within the Council, internal arrangements are in place that communicates throughout the organisation, and publicly, culture and commitment to preventing fraud.
- 5.3 The Council has a robust framework of procedures and policies, which combine to act as an effective deterrent to fraudulent activity and provide the means for reporting or detecting fraud or corruption.
- 5.4 Additionally, the Corporate Framework provides a whole range of high-level parts, which contribute to the Council having an effective counter-fraud strategy.



GOVERN

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.

2. ACKNOWLEDGE

- 5.5 To create a counter-fraud response, an organisation must acknowledge and understand fraud risks and then demonstrate this by committing the right support and appropriate resource for tackling fraud.
- 5.6 In response, the Corporate Anti-Fraud Service will follow three key workstreams that;
- seek to identify fraud risks across the organisation,
 - assess fraud control activities and their effectiveness, and
 - dedicate the right level of resource to investigating and detecting fraud where reported
- 5.7 The **fraud risk register** identifies possible frauds to which the participating authorities are exposed. It estimates both the potential impact of a given fraud and the likelihood of it occurring.



ACKNOWLEDGE

Assessing and understanding fraud risks.

Committing the right support and tackling fraud and corruption.

Demonstrating that it has a robust anti-fraud response.

Communicating the risks to those charged with Governance .

- 5.8 In creating the register, the Council can better understand the fraud-threat environment in which it operates. It is also a tool to assist in focusing resources on the most relevant fraud risks.
- 5.9 The register is frequently reviewed to ensure that the risks are being appropriately managed, and this drives the **pro-active work programme**, which focuses on key risk areas. In addition to detection, this programme includes anti-fraud assurance work intended to deter and prevent fraud.
- 5.10 **Reactive referrals** are often the primary source of work for the fraud specialists and provide good leads, primarily in organisations that have a robust anti-fraud culture, and where staff take responsibility for preventing, detecting and reporting instances of fraud. It is often the alertness of the public or employees that generate these referrals and enables detection to occur.

3. PREVENT

- 5.11 Fraud can be prevented and detected by enhancing fraud controls and processes, making better use of information and technology and developing a more effective anti-fraud culture.
- 5.12 The Council has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure that proper arrangements are made for the Council's financial affairs and aims to have sound financial systems and procedures which incorporate efficient and effective internal controls.
- 5.13 The Council promotes an anti-fraud culture across the community by publicising the impact of fraud on the community. We also strive to assist our partners and stakeholders to understand and reduce the threats of fraud.
- 5.14 The Council participates annually in a national data matching exercise coordinated by the Cabinet Office (National Fraud Initiative) as well as using data analytics and new technology to combat fraud.
- 5.15 The strategic framework encompasses all stages of the anti-fraud cycle: prevention, detection, investigation, recovery and sanction. While prevention should remain one of the most important objectives of the Strategy, it is deemed appropriate to also focus efforts on detection. In particular, by encouraging internal and external reporting of any possible case of fraud as well as proactive random verifications in some areas.



PREVENT

Making the best use of information and technology.

Enhancing fraud controls and processes.

Developing a more effective anti-fraud culture.

Communicating its' activity and successes.



PURSUE

Prioritising fraud recovery and use of civil sanctions.

Developing capability and capacity to punish offenders.

Collaborating across geographical and sectoral boundaries.

Learning lessons and closing the gaps.

4. PURSUE

5.15 Stopping fraud and corruption from happening in the first place must be our primary aim. However, those who keep on trying may still succeed. It is, therefore, essential that a robust enforcement response is available to pursue fraudsters and deter others.

5.16 The Council will always seek the strongest possible sanction against any individual or organisation that defraud or attempt to defraud the Authority. Any decision to take legal action against offenders is made per the Code for Crown Prosecutors.

5.17 A further element of the Council's response to tackling fraud is seeking financial redress. The recovery of defrauded monies is an integral part of the Strategy, and action will be taken to recover losses. Where criminality has been proven then the Proceeds of Crime Act 2002 will, where appropriate, be used to recover funds.

5.18 Other methods of recovery may include, but are not confined to, civil proceedings; unlawful profit orders and compensation orders, bankruptcy if it is believed the individual has a poor history of paying and recovery from future salary payments. In taking the appropriate remedial action, we will follow the Council's Sanctions Policy (Appendix 2).

5. PROTECT

5.19 We are protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

5.20 This aspect of the Strategy covers counter-fraud activity to protect public funds, protecting the Council from fraud and protecting itself from future scams.

5.21 This theme lies across all the pillars and is the bedrock of the Strategy.



PROTECTING ITSELF AND ITS RESIDENTS

*Recognising the harm that fraud can cause in the community.
Protecting itself and its' residents from fraud.*

6. ACTION AND REVIEW

- 6.1 An essential part of strategic planning is an Action Plan which defines the activities required to achieve the objectives and can be used to measure their progress. The action plan is detailed in **Appendix 1**.
- 6.2 For accountability purposes progress against the priorities and the plan will be reported half-yearly to the Audit Committee and will be subject to continuous review. This will enable us to demonstrate how we are delivering against our strategic and operational objectives. It will also allow us to;
- adapt to emerging threats and issues and address current and future fraud risks across the Council
 - ensure, through evaluation of operational performance, that we remain fit for the purpose of delivering counter fraud functions beyond 2020
 - assess, analyse and report on existing and future fraud risks affecting the Council
 - identify requirements for future counter fraud work

7. DOCUMENT CONTROL LIST

Issue No.	Date	Author	Comments	Approved by	Approval Date
2.3	November 2018	Andrew Hyatt	Reviewed – no material change	David Hughes	November 2018
2.4	January 2020	Andrew Hyatt	Reviewed – no material change	David Hughes	January 2020
3.0	June 2020	Andrew Hyatt	New Strategy	David Hughes	June 2020

Counter-Fraud and Corruption Strategy: Action Plan

APPENDIX 1

STRATEGIC OBJECTIVE	KEY AIMS	TARGET ACTIVITY
GOVERN		
<p>Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.</p>	<p>The Council establishes and communicates the framework of procedures and policies, which demonstrate a commitment to integrity and ethical values and combine to act as an effective fraud deterrent.</p> <p>The organisation ensures that fraud control activities are thoroughly documented and implemented through policies and procedures.</p> <p>The authority will perform evaluations periodically to provide objective feedback on the effectiveness of the investigation process and the anti-fraud and corruption Strategy.</p>	<p>Annual review of the following documents presented to the Audit Committee for approval:</p> <ul style="list-style-type: none"> • Anti-Fraud and Corruption Strategy • Anti-Fraud and Corruption Policy • Sanction Policy • Anti-Bribery Policy • Money Laundering Policy • Fraud Response Plan • Whistleblowing Policy <p>All documents are “fit for purpose” and incorporate any legislative or regulatory changes as well as details of new or revised risks of fraud.</p> <p>Details of counter-fraud activity are reported to the Audit Committee twice a year, detailing performance against the Strategy and the effectiveness of the Strategy. The report should include details of assurance work, significant cases and the level of fraud loss.</p> <p>CAFS will continually refresh and promote the Council’s suite of anti-fraud related policies and procedures, using internal publicity and training to enhance understanding and to communicate them across the organisation.</p>

ACKNOWLEDGE		
<p>Accessing and understanding fraud risks: identify and assess the Council’s fraud risk exposure, the changing patterns in fraud and corruption threats and the potential harmful consequences to the authority.</p>	<p>The Corporate Anti-Fraud Service will maintain a comprehensive fraud risk register that will summarise the current and emerging fraud threats and drive the annual pro-active work programme.</p> <p>The organisation will maintain a well-informed fraud risk register that enables the Council to formulate effective and appropriate responses to all fraud risks, establishing and implementing preventative and detective control activities.</p> <p>The authority has a robust methodology for calculating and measuring fraud loss, that enables them to understand the scope of the challenge, assess the response required and measure performance.</p>	<p>CAFS will lead an organisational annual fraud risk assessment to identify fraud risks, assess their likelihood and significance, evaluate fraud control activities, and recommend actions to mitigate residual fraud risks. CAFS will ensure the process considers a wide range of possible fraud schemes and risk exposure.</p> <p>CAFS will review new and emerging fraud risks which may appear following significant changes to the Council’s operating environment, and the high dependency on technology, in the wake of COVID19 restrictions and lockdown.</p> <p>CAFS will use the information and fraud risk scores to plan their annual pro-active work programme, which will include proactive operations, aimed at detecting fraud, service reviews and risk assessments. These will enable the evaluation of the fraud control environment, inviting recommendations for improvement where appropriate.</p> <p>CAFS will establish appropriate measurement criteria to calculate the value of preventative measures and the benefits of action and activities designed to deter potential fraud. Additionally, they will create a set of notional values that can suggest the financial savings made by detecting and stopping fraud, especially where the full extent of the economic loss is unclear, i.e. the financial savings of recovering a misused council tenancy.</p>

<p>Committing the right support and tackling fraud and corruption.</p>	<p>Maintain a dedicated resource with responsibility and unambiguous directive to tackle fraud across the organisation.</p> <p>Ensure counter-fraud specialists have the right skills commensurate with the full range of counter fraud and corruption activity. Possessing capability in counter fraud will make the Council more effective in protecting funds and fighting economic crime.</p> <p>Develop a skilled and competent workforce, focusing on the skills needed to manage an effective counter-fraud response that heightens the Council's fraud resilience.</p>	<p>To ensure the Council is one of the first local authorities to become a full member of the Government’s Counter Fraud Profession, bringing together individual and organisational counter-fraud learning from across the public sector.</p> <p>Promote the Council’s suite of anti-fraud related policies and procedures, using internal publicity and training to enhance understanding and to communicate them to all employees across the organisation.</p> <p>Maintain and refine a corporate anti-fraud training cycle, including regular refresher courses and e-learning modules, which should be mandatory for relevant groups of staff</p>
<p>Demonstrating that it has a robust anti-fraud response</p>	<p>The Corporate Anti-Fraud Service will investigate allegations of fraud thoroughly and to the highest professional standards, where appropriate seek the full range of civil, criminal and disciplinary sanctions and seek redress where possible.</p>	<p>Details of counter fraud activity are reported to the audit committee twice a year, detailing performance against the anti-fraud and corruption Strategy and the effectiveness of the Strategy. The report should include details of assurance work, significant cases and the level of fraud loss.</p>
<p>Communicating the risks to those charged with Governance</p>	<p>The fraud risk register to be integrated into the existing risk management framework.</p>	<p>The authority will perform evaluations periodically to provide objective feedback on the effectiveness of the investigation process and the anti-fraud and corruption Strategy.</p> <p>CAFS will provide members with a bespoke fraud awareness eLearning modules to enhance understanding of fraud risks.</p>

PREVENT		
Making the best use of information and technology	<p>Continue to use and participate in existing technological methods of fraud prevention/detection.</p> <p>Identify, and where appropriate, adopt, new technological methods of fraud prevention and detection.</p> <p>Develop analytics that allows the Council to detect potentially fraudulent activity or transactions quickly, as well as identifying and tracking perpetrators.</p> <p>Use security and fraud analytics to protect all physical, financial and intellectual assets from misuse by internal and external threats.</p> <p>To be an active participant in the biennial National Fraud Initiative (NFI) exercise and to robustly investigate suspected cases of fraud identified through NFI.</p>	<p>Identify technology, existing information, or new information that can be used to detect or prevent fraud. Once identified, evaluate their value in detecting fraud and implement where appropriate.</p> <p>Use data analytic techniques to try and isolate suspicious transactions or trends that represent potential fraud, and to improve the results of the fraud risk assessment that inform the fraud risk register.</p> <p>Continue to participate in the National Fraud Initiative data matching exercise. Where possible identifying improvements either in respect of data supplied to the exercise or in processing the resulting data matches. Explore the use of other or new facilities provided by the National Fraud Initiative.</p>
Enhancing fraud controls and processes	<p>Examine and assess fraud prevention controls in process across the Council and recommending improvements where necessary.</p> <p>Assess new and emerging fraud risks which may appear following significant changes to the Council’s operating environment, and the high dependency on technology, in the wake of COVID19 restrictions and lockdown. Identify revised fraud control activities linked to these changes and assesses their effectiveness.</p>	<p>Completion of an annual pro-active work programme will be developed in line with priorities identified from national research and the Council’s fraud risk register. This will include internal quality assurance, ensuring services across the organisation deploy suitable counter-fraud controls, as well as compliance with legislation and professional standards.</p> <p>Review of existing controls and process connected with individual fraud investigations. Where weak controls processes are identified, take action to</p>

	<p>Ensure the fraud control assessment considers a wide range of possible fraud schemes and risk exposure.</p> <p>Create a process to review the potential for management override of internal controls, primarily controls established to prevent or detect fraud.</p> <p>Use data analytics techniques to test controls.</p>	<p>improve them and reduce the risk of further fraud.</p> <p>Review systems identified through the Fraud Risk Register has potentially having controls and processes that are susceptible to fraud.</p> <p>Engage with staff across the Council regarding fraud prevention through the use of improved controls and processes, imparting knowledge and understanding to help them identify such weaknesses in their area of work.</p>
<p>Developing a more effective anti-fraud culture</p>	<p>Build a culture that promotes and supports open communication, where any reasonably suspected or known breach of the code of conduct, fraud, or corruption is raised by employees internally and dealt with in a timely and effective manner.</p> <p>Ensuring staff and management are aware of their responsibilities concerning preventing fraud and corruption.</p> <p>Raise awareness of fraud against the Council, working with staff, stakeholders and the public to highlight those risks and the consequences of fraud against the Council and the wider community.</p>	<p>CAFS will continually refresh and promote the Council's suite of anti-fraud related policies and procedures, using internal publicity and training to enhance understanding and to communicate them across the organisation.</p> <p>CAFS will maintain and refine a corporate anti-fraud training cycle, including regular refresher courses and e-learning modules, which should be mandatory for relevant groups of staff</p> <p>Design and deliver classroom-based training courses on fraud and fraud recognition that complement existing eLearning courses.</p>
<p>Communicating its' activity and successes</p>	<p>Raise awareness of fraud and corruption both within the authority and in the community through running awareness campaigns and the publication of fraud successes in local and national media, including the use of all forms of social media.</p>	<p>To develop and produce a wide range of communications and marketing strategies to increase the profile of the Council's counter-fraud activities and to enhance the anti-fraud culture.</p> <p>Map and review channels for exchanging fraud-</p>

		<p>related information between services, to raise awareness and improve prevention.</p> <p>Produce fraud investigation outcome reports for management which highlight the action is taken to investigate the fraud risks, the outcome of the investigations, e.g. sanction and recommendations to minimise future risk of fraud</p>
PURSUE		
Prioritising fraud recovery and use of civil sanctions	Demonstrate a commitment to pursuing the full range of available sanctions (criminal, civil, disciplinary and regulatory) against those found to have committed fraud and seeks to recover funds that have been lost or diverted through fraud.	<p>CAFS will ensure the use of a wide range of possible corrective actions, including;</p> <ul style="list-style-type: none"> • Internal Control remediation • Business process remediation • Disciplinary action, including liaison with, and referrals to, professional bodies • Training and education • Civil action used to recover lost assets and investigation expenses • Criminal action, including the prosecution of offenders and the recover of lost assets using the Proceeds of Crime Act.
Developing capability and capacity to punish offenders	The Council will continue to be tough on fraudsters by punishing them more efficiently and effectively.	<p>Through personal development, ensure counter-fraud specialists have the right skills commensurate with the full range of counter fraud and corruption activity. Possessing capability in counter fraud will make the Council more effective in protecting funds and fighting economic crime.</p>

<p>Collaborating across departmental, geographical and sectoral boundaries</p>	<p>Ensure collaboration across internal and external boundaries with colleagues and other local authorities and agencies. Sharing resources, skills and learning, good practice and innovation, and information.</p>	<p>Protocols are put in place to facilitate joint working to enhance the counter-fraud activity, and to liaises proactively with other organisations and agencies to assist in countering fraud, sharing resources, skills and learning, good practice and innovation, and information.</p> <p>To actively maintain the authorities’ membership of the National Anti-Fraud Network (NAFN), the London Borough of Fraud Investigators Group (LBFIG), The Chartered Institute of Public Finance and Accountancy (CIPFA), the London Fraud Hub and all other enforcement partners including the Police, The Border Force and HMRC. Also, to be open to new and innovative anti-fraud projects.</p>
<p>PROTECT</p>		
<p>Recognising the harm that fraud can cause in the community.</p>	<p>CAFS to work with stakeholders to help them prevent and detect fraud at the earliest opportunity.</p>	<p>CAFS to work with stakeholders to help them prevent and detect fraud at the earliest opportunity.</p>
<p>Protecting the Authority and its' residents from fraud.</p>	<p>To provide support and guidance across the community to help residents and stakeholders protect themselves against fraud and advice on how to refer their concerns to appropriate bodies when fraud occurs.</p>	<p>To provide support and guidance across the community to help residents and stakeholders protect themselves against fraud and advice on how to refer their concerns to appropriate bodies when fraud occurs.</p>

**London Borough of Hammersmith & Fulham
SANCTION POLICY: 2020-2023**

1. INTRODUCTION

- 1.1 The Council's anti-fraud and corruption Strategy set out our aims and objectives concerning tackling fraud and corruption. It states that we will seek the strongest possible sanction against any individual or organisation that defraud or attempt to defraud the Authority.
- 1.2 The following policy will govern the use of sanctions, and the principles shall apply equally to any fraud against the Authority or against funds for which the Authority has responsibility.
- 1.3 The objectives of this policy are:
 - To ensure sanctions are imposed in a just and consistent manner.
 - To ensure that the sanction decision-making process is stringent, robust and transparent.
 - To ensure that sanctions are applied cost-effectively and with efficiency.
- 1.4 The sanction decision will have regard at all times to the Council's anti-fraud objectives, the individual circumstances of each person concerned and the overall impact of the punishment to both the individual and the community.
- 1.5 A range of sanctions is available to the Council. These include disciplinary action, civil proceedings, criminal proceedings, official cautions and penalties. In some cases, we will take more than one form of action. For example, where staff have defrauded the Council, we may take disciplinary, prosecution, and criminal or civil recovery action.
- 1.6 One option available to the Council is a criminal prosecution. We recognise that this is a serious step to take, and the decision to refer cases for prosecution will not be taken lightly.
- 1.7 The ultimate decision on prosecution will be made by the prosecuting body. In some cases, this will be the Council or the Crown Prosecution Service. We will utilise the Financial Investigators and/or the Police in situations where their additional powers are required to secure evidence or recovery of funds or where the matter cannot be adequately pursued in-house.
- 1.8 We will utilise the Council's Legal Service to undertake a criminal prosecution.
- 1.9 The Shared Services Head of Fraud will be responsible for ensuring investigations into suspected fraud are conducted professionally in accordance with the Police and Criminal Evidence Act 1984 (PACE), Criminal Procedures in Investigations Act

1996 (CPIA), Human Rights Act and Regulatory Investigators Power Act 2000 (RIPA). All evidence gathering will comply with the Data Protection Act 2018.

- 1.10 Each case is unique and must be considered on its facts and merits. Investigators must be fair, independent and objective. They must not let any political views or personal views about the ethnic or national origin, sex, religious beliefs, or the sexual orientation of the suspect, victim or witness influence their decisions. They must not be affected by improper or undue pressure from any source.
- 1.11 It is the duty of the Council to make sure that the right person is prosecuted for the right offence. In doing so, the Council must always act in the interests of justice and not solely to obtain a conviction.
- 1.12 Where necessary, the Council will work in co-operation with other organisations such as the Police, Department for Work and Pensions, Home Office, Her Majesty's Revenue and Customs, other Local Authorities and departments within the Council.

2. CODES FOR CROWN PROSECUTORS

2.1 When considering a case for prosecution, it is accepted that there are two "tests" to be applied – the evidential test and the public interest test. These are set out in **The Code for Crown Prosecutors**.

2.2 The Code for Crown Prosecutors is a public document, issued by the Director of Public Prosecutions that sets out the general principles Crown Prosecutors should follow when they make decisions on cases.



Evidential Stage Test

- 2.3 Prosecutors must be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. They must consider what the defence case may be and how it is likely to affect the chances of conviction. A case which does not pass the evidential stage must not proceed, no matter how serious or sensitive it may be.
- 2.4 When deciding whether there is sufficient evidence to prosecute, prosecutors must consider whether the evidence can be used and whether it is reliable. There will be many cases in which the evidence does not give any cause for concern. But there will also be cases in which the evidence may not be as strong as it first appears.
- 2.5 The evidence gathered will be examined in the first instance by the investigating officer and their manager. When both are satisfied that sufficient evidence exists to prosecute successfully and that the Public Interest

Prosecutors should ask themselves:

Can the evidence be used in court?

Is the evidence reliable?

Is the evidence credible?

Stage is also satisfied the case file will be passed on to either the Council's legal team or the Crown Prosecution Service via the police. All prosecutors will then apply their inspection of the evidence to ensure that both tests are met.

Public interest test

- 2.6 Where there is sufficient evidence to justify a prosecution or to offer out-of-court disposal, prosecutors must go on to consider whether a prosecution is required in the public interest.
- 2.7 A prosecution will usually take place unless the prosecutor is sure that public interest factors are tending against prosecution, which outweighs those tending in favour, or unless the prosecutor is satisfied that the public interest may be served appropriately, in the first instance, by offering the offender the opportunity to have the matter dealt with by out-of-court disposal.
- 2.8 The more serious the offence or the offender's record of criminal behaviour, the more likely it is that a prosecution will be required in the public interest.
- 2.9 Aggravating and mitigating factors will be taken into consideration when deciding on the appropriate sanction.

3. EMPLOYEE FRAUD AND CORRUPTION

- 3.1 In all cases of fraud, theft, financial misconduct, serious and intentional breach of financial regulations and corruption committed by officers, we will seek disciplinary action. The usual recommendation would be "gross misconduct".
- 3.2 Where a financial loss has been identified, we will always seek to recover this loss either through the civil or criminal process.
- 3.3 Where appropriate under this policy, we will refer cases to the relevant prosecuting authority for criminal prosecution.

4. TENANCY FRAUD

- 4.1 The Council's Corporate Anti-Fraud Service support the work of the Council's Housing Department and will investigate suspicions of Tenancy Fraud.
- 4.2 This includes;
 - Unauthorised sub-letting
 - Abandonment
 - False succession applications
 - Right to buy
 - General tenancy breaches

- 4.3 In all cases of tenancy fraud, the Council will seek repossession of the property and recovery of any financial losses. The Council's view is that one property lost to fraud is one less property available to use for genuine applicants.
- 4.4 Tenancy Fraud will also be considered for criminal prosecution. The factors that will affect our decision to prosecute will be based on the evidential and the public interest test.

5. OTHER FRAUD

- 5.1 In the event of "other frauds" against the Council, not explicitly mentioned above, the Council will also consider criminal prosecution. The factors that will affect our decision to prosecute will be based on the evidential and the public interest test. This will also include cases of attempted fraud, i.e. false applications for services.
- 5.2 In cases where the Council suffers a financial loss, we will always seek recovery.
- 5.3 Where an organisation is involved in the fraud, the Council will also make referrals to the relevant governing body, i.e. Charities Commission, Registrar of Companies, Law Society.
- 5.4 For this policy "Other fraud" includes, but is not limited to; Council Tax Reduction Scheme (CTRS), Disabled Parking Badge, Residents Parking, Direct Care Payments (Personal Budgets), Renovation Grants, Regeneration Funding and other applications for support services or financial assistance.

6. FURTHER INFORMATION

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London Borough of Hammersmith & Fulham

Report to: Audit and Pensions Committee

Date: 15/09/2020

Subject: Risk Management Highlight Report

Report of: Director of Audit, Risk, Fraud and Insurance

Summary

The purpose of this report is to provide members of the Audit and Pensions Committee with an update on risk management across the Council.

Recommendation

For the Committee to note and comment on the report.

Wards Affected: None

H&F Priorities

Our Priorities

- Building shared prosperity
- Creating a compassionate council
- Doing things with local residents, not to them
- Being ruthlessly financially efficient
- Taking pride in H&F

Summary of how this report aligns to the H&F Priorities

Good risk management helps to: maintain and promote the Council's reputation; is an enabling tool to help protect residents and staff including some of the most vulnerable in society; place people, businesses and the wider community at the heart of everything we do; ensure robust financial and information management and supports internal control, opportunity and innovation; protect valuable assets and the built and natural environment.

Financial challenge

The current and future climate for local government represents a significant risk to the council with the ongoing challenge of delivering services with significantly reduced funding levels further impacted by the coronavirus pandemic. This has seen the council incur additional expenditure whilst at the same time seeing reductions in the level of resources available through a combination of lower income levels and inherent pressures that existed prior to Covid-19 which must also be managed.

Financial implications

There are no specific financial implications arising from this report. Services are expected to manage their risks within current budgets. Where additional funds are required to mitigate or manage risks, separate decisions reports will be required for the approval of unbudgeted expenditure.

A standing Corporate risk, Financial Management of in year budget and Medium-Term Planning identifies the risks to balancing the budget in response to continued government funding and demand pressures faced by the Council and the sector more generally and is assessed as high risk. The in-year position is reported monthly in the Corporate Revenue Monitor to Cabinet and the Medium-Term Financial Strategy and Budget setting process is in progress and will need to be approved by Full Council in February 2020. Other corporate risks also identify financial pressures arising from demand and complexity of service provision which need to be managed.

Comments verified by Emily Hill, Director of Finance

Legal implications

There are no particular legal implications arising from this report.

Comments drafted by Rhian Davies, Director of Resources

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Background Papers Used in Preparing This Report

Risk Registers, reports to Children and Education Policy and Accountability Committee; Health Inclusion and Social Care Policy and Accountability Committee; Finance, Commercial Revenue and Contracts Policy and Accountability Committee.

1. Background

- 1.1. The Accounts and Audit Regulations 2015 states that the Council must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk. It is paramount that all risks are clearly identified, managed and reported through the relevant channel. Risks can never be eliminated entirely but proportionate and targeted action can be taken to reduce risks to an acceptable level. Furthermore, the work of the Council's Policy and

Accountability Committees is acknowledged as a robust and additional form of assurance for the management of risk across its services.

- 1.2. Effective governance and management of risks are particularly significant as funding for Local Government has diminished authorities' objectives and are becoming increasingly fundamental and relate, for instance, to continuing to meet statutory service obligations. Arrangements must therefore be effective in a riskier, more time-pressured and less well-resourced context.
- 1.3. Local authorities are required to maintain a sound system of internal control, including risk management, internal audit, and whistleblowing arrangements. Risk management is the application of Council strategies, governance, policies and processes to identify and manage risks that are unacceptable to the Council. Managing risk processes effectively enables the Council to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money for residents, visitors, local businesses and service users.
- 1.4. As part of its Governance the Council's approach to risk management requires Directors, managers and staff, through their departmental Senior Management Teams, to:
 - identify risks;
 - assess the risk;
 - agree and take action to manage the risk; and,
 - monitor, review and escalate risks.
- 1.5. This report provides the Committee with an updated post Covid-19 outbreak risk register presenting a suite of risks as reviewed by the Council's Resilience Group and Recovery Board. A number of these have recently risen as a direct result of Covid-19, including the impact on the council's 2020/21 budget and economic outlook for the area. Many of the risks shown in Appendix 1 will come and go as the environment changes. However there remain a set of 'standing' corporate risks that are always likely to face the council:
 - Safeguarding children
 - Safeguarding adults
 - Health and Safety
 - Community Resilience
 - Major Cyber Incident
 - Council Resilience
 - Financial Management (in-year and the medium term)
 - Information management
 - Climate change adaptation / mitigation

Risk appetite

- 1.6. The Council remains accountable to the public for its performance and financial management. This means that the Council naturally has a low appetite for risk, however as the Covid-19 outbreak continues the Council will need to take carefully considered risks to develop new and innovative ways to deliver services, support communities and ensure the long-term wellbeing of communities is not impaired by decisions made in the short term. This makes good risk management essential.

Post Covid-19 Outbreak risk register

- 1.7. Appendix 1 provides assurance on how each of the risks are managed signposting to where further initiatives or information can be found. It also provides assurance on risks currently marked as 'red' – i.e. of the highest significance.

Risk Overview

- 1.8. The coronavirus is a threat to life, health, wellbeing and the economy. In the area this has resulted to significant disruption to the lives of residents, businesses and infrastructure and to council services, with the consequences greater for those more vulnerable or disadvantaged. Whilst many aspects of the risk have materialised, there are still numerous uncertainties and at this stage it is hard to predict the full scale, or timing, of impacts of Covid-19.

Key Controls in place to manage the risk

- 1.9. The council is responding well to an unprecedented global crisis within the resources and information available. Its strengths include working with a broad set of partners, the community and volunteers to mitigate the effects of the outbreak and then to recover. The key controls in place include:
- The role in the area's multi-agency command and control arrangements, which have developed further, initially in preparing for Brexit, and currently in response to Covid-19. Formal links into the region through the Local Resilience Forum (LRF) were established as a Major Incident was declared, in line with guidance. Other emergency measures included increasing the Chief Executive's delegated authority to spend and allocate budget for Covid-19-related matters and activities to £2m for capital and revenue expenditure.
 - Maintaining the provision of council services, prioritising those which are critical whilst having to temporarily cease or reduce those that are not. Also introducing new and increased forms of practical support, such as the procurement of millions of Personal Protective Equipment (PPE) items delivered to care homes, food parcels sent out to shielding individuals, distributing grants at pace to businesses.
 - Non-shielding residents in need were assisted through community efforts to distribute food parcels (125,000 meals sent out from H&F Foodbank - more than across all of 2019) to households, including those in temporary accommodation.
 - The council quickly established the H&F Community Aid Network (H&F CAN). This has supported residents to maintain their safety, health and wellbeing through a dedicated contact centre and to gain access to practical support, personal shoppers, food parcels, information and advice. As around an initial

1,500 residents were advised by their GPs/Consultants to shield within their own homes for a minimum of 12 weeks, this required the council to set up a separate shielded call centre staffed with 100 officers, all of whom volunteered to be redeployed into the contact centre. H&F CAN has been hugely supportive and successful.

- Liaising with other London Councils on key issues and to share best practice including, as a social services director group in NWL, the council lobbied successfully for the development of 'hot hubs' across West London – transitional beds for quarantine purposes in a care setting.
- In response to the pandemic, many changes have been required to enable the Council's staff to continue to operate as effectively as possible and to ensure they continue to support local communities, businesses and partners. With a few exceptions such as Digital Services and Social Worker duty teams, office-based staff have worked remotely from home. The council's technology infrastructure and resources have stood up well, enabling up to 1,700 members of staff to work remotely a measure significantly improving resilience noting the council's decision to deliver the TechTonic programme that moved away from desktop p.c.'s to laptops.
- Regular information and updates communicated to a wide audience including, residents, communities, partner organisations, businesses, suppliers and council staff through h&f engage.
- The council's ability to quickly assemble a team of officers to deal with a major disruption event alongside partner organisations which continues to be demonstrated.
- Co-operation and co-ordination across services on Health and Safety issues. Over the coming months actions will be focussed on how the council recovers from the pandemic whilst maintaining health and safety and wellbeing standards and adapting to sudden and significant changes.
- A well-established Business Continuity policy set out the plans to deal with any disruption scenario containing information, guidance and templates for use by council services. Plans are in place for all critical council services that document actions required to protect services reviewed in readiness for the impact of EU exit and activated to deal with the coronavirus.
- Person and Place risk assessments and Ways of Working guidance and support.
- Development and testing of Outbreak Control plans for a variety of settings in collaboration with the Director of Public Health.

Further actions

- 1.10. Detailed information on the actions of the council has been provided to the council's Policy and Accountability Committees.

List of Appendices:

Appendix 1 - List of Post Covid-19 risks.

- 1. Ongoing response;**
- 2. Restart;**
- 3. Recovery and Opportunity;**

- 4. Test and Trace and;**
- 5. Corporate Continuity & Community**

COUNCIL RISK REGISTER – POST COVID													
1. ONGOING RESPONSE	Risk Description		Inherent Risk					Residual Risk				Date reviewed	Risk Status Open/Closed
Ref No.	Class	There is a risk of..'	Likelihood	Impact	Score	Existing Controls	Risk Owner	Likelihood	Impact	Score	Planned Controls		
13	Social	management of further widespread infection across the community.	5	5	25	<p>Twitter and Facebook campaigns, #Stayhomesavelives</p> <p>Banners and posters across the borough, Social distancing, keep a car length away</p> <p>Closure of;</p> <p>Area Housing Offices, 145 King Street Customer Service Centre and the Registry Offices</p> <p>Parks and Adult Learning Centres</p> <p>Leisure centres, The Lyric Theatre, Libraries</p> <p>Eviction warrants suspended</p> <p>Cancellation or postponement of events e.g. The Boat Race, Polo in the Park.</p> <p>Re-opening Parks on a trial basis for exercising following new police powers and the Council's publicity posters campaign.</p> <p>Housing caretakers will be focusing on high use areas, using disinfectant to clean key touchpoints, such as door handles and push plates, lift buttons, intercoms, handrails, bannisters, chute areas, bulk points, regularly throughout the day.</p> <p>Sheltered Housing - increasing our presence and frequency of cleaning in the communal internal areas.</p> <p>Review and pause of capital works where they are intrusive.</p> <p>Contact the Customer Service Centre on 0800 023 4499 or via email rather than coming into council offices.</p> <p>Safe distancing for operatives and contractors, verification re: self-isolation.</p> <p>Megaphones to be used for messaging in Parks and Open spaces</p> <p>22 April 2020 Pavements in the busy shopping areas of King Street and Uxbridge Road temporarily widened and marked to help with social distancing enabling pedestrians to queue safely for essential supplies from food stores and pharmacies and to pass each other to maintain social distancing. Wardens allocated to both locations will monitor compliance.</p> <p>The Council and the Metropolitan Police restricted the use of the Thames Path for cyclists and joggers between 10.00 am and 6.00 pm from Chiswick Mall to Putney Bridge. A queueing system, backed by marshals, is also enforcing social distancing at Hammersmith Bridge.</p> <p>01 May 2020 Keeping the popular North End Road Market open by providing stewards to support social distancing. The Council has also delivered PPE and handwashing facilities to the traders so this important and healthy source of cheap food remains available to residents.</p> <p>06 June 2020 h&f TV messaging. You protect me. Face masks messaging.</p> <p>11 June 2020 TfL implementation of free face coverings for public transport users.</p> <p>04 August 2020 New Council powers to prevent wider infection from HM Government; Outbreak Plans with Public Health; Health and Wellbeing Board; Communications, Working with Businesses, Enforcement and Support; Data interpretation and sharing of trends/patterns of infections in the local area at Test and Trace Project Team</p> <p>04 August 2020 Waiver required to direct award local testing for H&F at H&F GP's</p>	Gold group Director of Public Health Director of Covid-19	3	4	12	Keep risk under review	25/08/2020	Open
18	Economic/ Financial	impact on the local economy and businesses	5	5	25	<p>Intranet Coronavirus (COVID-19): advice and support for local businesses</p> <p>Business connects e-newsletter, FAQ's</p> <p>Listing of businesses required to close by HM Government</p> <p>Link to HM Government guidance for help to employers and businesses</p> <p>Guidance note on furloughed workers</p> <p>All retail, hospitality and leisure businesses in England qualify for the business rates holiday for the 2020 to 2021 tax year.</p> <p>The Small Business Grant Fund (SBGF) HM Government</p> <p>The Retail, Hospitality and Leisure Grant (RHLG) HM Government details of both grants applications to Businessrates@lbhf.gov.uk</p> <p>Coronavirus Business Interruption Loan Scheme is being delivered by the British Business Bank</p> <p>HMRC Tax advice help line for VAT queries</p> <p>Self-employed Income Tax deferral, HMRC Self-Employment Income Support Scheme taxable grant of up to £7,500 07 May 2020</p> <p>HM Government's COVID-19 Corporate Financing Facility</p> <p>Business resilience advice contact</p> <p>h&f Business Helpdesk e-mail and phone contact</p> <p>Moved to digital sessions for business 1-2-1 advice clinics, booking via Eventbrite</p> <p>Additional support links - Facebook small business grants programme, free crowdfunding support, Met. Police guidance for business, business support guidance from the Mayor of London</p> <p>h&f Council received £49m from HM Government to make grants to local businesses in payments of either £10,000 or £25,000.</p> <p>The Council has installed new software to smooth the payment of grant funding for h&f businesses. The applications are being handled through the business rates team who worked through the Easter Break handling over 200 calls and emails a day. The installation of the software has caused some issues with the regular DD run.</p> <p>Rate relief - nearly 3,000 local business ratepayers have been contacted to say they will not pay business rates this year - totalling £118m in rate relief awards from h&f Council.</p> <p>A LSP (Local Supports Payment Scheme) has been expanded for residents who have lost their jobs, had income reduced or waiting for benefits payments to come through.</p> <p>Details communicated, through Twitter, of the Imperial college Innovators Programme including encouraging applications from LBHF residents</p> <p>01 May 2020 the Council has delivered more than £31m of grants to local businesses. Businesses that have not yet sent details in are encouraged to send in their details to businessrates@lbhf.gov.uk.</p> <p>12 May 2020 HM Government announce the Coronavirus Job Retention Scheme will extend to October 2020.</p> <p>19 May 2020 H&F Brilliant 4 Biz launching an improving business website presence Webinar</p> <p>21 May 2020 HM Government - Future Fund for start-ups launched £500m emergency support package</p> <p>22 May 2020 the Council has delivered more than £40m of grants to local businesses. Business grants are one of the ways the Council is doing to provide vital support in these difficult times.</p> <p>27 May 2020 HM Government - The Coronavirus Statutory Sick Pay Rebate Scheme</p> <p>31 July 2020 Shop Local Shop Safe campaign to kick start the Local Economy and lead the way with new safety measures to avoid a second lockdown.</p>	Strategic Director for the Economy, Strategic Director of Finance	3	3	9	Keep risk under review	25/08/2020	Open

COUNCIL RISK REGISTER – POST COVID													
1. ONGOING RESPONSE	Risk Description		Inherent Risk					Residual Risk			Planned Controls	Date reviewed	Risk Status Open/Closed
Ref No.	Class	There is a risk of..'	Likelihood	Impact	Score	Existing Controls	Risk Owner	Likelihood	Impact	Score	Planned Controls		
25	Social	impact on security of council tenants, private renters and homeowners.	5	5	25	<p>Council tenants Advice, support and guidance if Council tenants are having difficulty in paying the rent due to the coronavirus. Contact the rental income team on 020 8753 6032 or email rentincome@lbhf.gov.uk The Council phone line is open 9am to 5pm, Monday to Friday. This may include setting up a payment plan, or supporting residents to make a claim for benefits. The government has extended statutory sick pay for people affected by the coronavirus. For Universal Credit or Employment Support Allowance, the Council can provide advice on this. HM Government advice about claiming benefits as a result of coronavirus</p> <p>Private renters The Council are urging all landlords not to evict a tenant who can't pay the rent as a result of the coronavirus. However, if private renters are struggling to pay rent they can apply for Universal Credit. If they are already receiving Universal Credit or housing benefit they can apply for a Discretionary Housing Payment. Ministers have extended the ban on landlords evicting tenants in England until 20 September 2020.</p> <p>Homeowners If a homeowner, call the mortgage provider to explain your change in circumstances because they will be able to pause mortgage payments for up to three months.</p>	Assistant Director of Residents Services, Strategic Director for the Economy	3	3	9	Keep risk under review	25/08/2020	Open
30	Health and Safety	maintaining regulatory gas inspections during a period where residents are self-isolating or not responding to appointments	5	5	25	<p>Ongoing review by the Economy Department Regular reporting to Director responsible for COVID-19 and Cabinet Member for Housing Department are risk assessing the situation and following advice from HM Government and the Regulator (The department have details of boiler make, age, occupancy type, CO detector, etc for all 11,153 appliances) 16 April 2020 SLT briefing on position 13 May 2020 SLT briefing on position 10 June 2020 SLT briefing on position 24 June 2020 SLT briefing on position 08 July 2020 SLT briefing on position 22 July 2020 SLT briefing on position 06 August 2020 SLT briefing on position</p>	Interim Director for the Economy Department	3	3	9	Keep risk under review	25/08/2020	Open
32	Competitive	risk to the Council that there is a supplier failure in an existing contract or to one recently awarded due to financing/cash flow or other liquidity pressures	5	5	25	<p>Ongoing review of the supply chain, 10 June 2020 new enhanced Covid-19 sensitivity report requested from the Credit agency who report an upsurge in companies paying invoices late. HM Government Furlough scheme. Reviews on a case by case basis with reports to SLT. Reviews of the qualification criteria (threshold) for smaller companies (entities) for contracts</p>	Head of Procurement and Contracts	4	3	12	Keep risk under review	25/08/2020	Open
37	Social	prevention of social unrest and crime and disorder.	5	5	25	<p>The local area's existing and continuing strong sense of community and inclusion. Involving the Community in h&f CAN 'Borough Resilience Forum Draft response plan for crime and disorder. Multi-agency intelligence, information and resources. Solidarity messages to support Key Workers, e.g. Fulham Road, Hammersmith Primary School, Brackenbury Primary School, Shepherd Bush Families Project, St. Mary's Catholic Primary School Additional resources for the monitoring and compliance of social distancing measures in Parks and Open spaces including potential re-deployment. Additional planning document developing within the remit of the Recovery Planning Group 12 May 2020 Workstream lead appointed - Head of Community Safety is working on a revised response plan. 24 June 2020 Issue raised as HM Government lifted lockdown restrictions further for re-opening of pubs and restaurants and hospitality on 04 July 2020 which co-indices with a local premiership football game 15 July 2020 Outbreak plans for unlicensed music events tested by walkthrough - Test and Trace Project Team 29 July 2020 Contracts Assurance Board Implemented the Waiver to enable enhanced security on Housing Estates 14 August 2020 HM Government announce £10k fines for organisers of unlicensed music events</p>	Assistant Director Safer Neighbourhoods	3	4	12	Keep risk under review	25/08/2020	Open
44	Economic/Financial	COVID financing during the ongoing crisis and then recovery	5	5	25	<p>On 19 March 2020, HM government announced additional funding for local government to help respond to coronavirus (COVID-19) pressures across all the services delivered. The allocations document 30 March 2020 set out the funding available for LBHF. (Please refer to Corp. Finance) This funding will not be ringfenced and can be allocated to Covid-19 pressures in whatever way individual authorities feel is appropriate to their pressures. 07 April 20, AD Finance requested that all departments continue to work with and inform their Finance Reps of expenditure to support the claim. 18 April 20 MHCLG announced £1.6b additional funding for Local Government increasing the total available to Local Government to £3.2b., £1.6b additional funding was made available in March 2020, the funding allocations have now been announced - Silver 29 April 2020 Monitoring of position by Central Finance Team and Finance Board. 12 May 2020 HM Government return being completed with services input and Finance leads, due 15 May 2020 12 June 2020 Funding discussion at Finance Board (Operational), new funding report to be prepared for Finance Public Accountability Committee 23 July 2020 Report on Financial consequences of Covid-19 presented to Finance, Commercial Revenue and Contracts Policy and Accountability Committee.</p>	Director of Finance	4	4	16	Keep risk under review	25/08/2020	Open

COUNCIL RISK REGISTER – POST COVID													
1. ONGOING RESPONSE													
Ref No.	Class	Risk Description	Inherent Risk			Existing Controls	Risk Owner	Residual Risk			Planned Controls	Date reviewed	Risk Status Open/Closed
			Likelihood	Impact	Score			Likelihood	Impact	Score			
48	Social	maintaining (non-financial) support for families and the community during the crisis	5	5	25	Family Support Services additional digital offer, including; a time to connect helpline; home learning guides for early years, primary school and secondary school children; the virtual family centre - I access all the support usually provided at the children's centres through the new virtual Facebook sessions. Families can drop in for advice, take part in a session or request a call from their Time to Connect Team. Access to healthy food - the Rose Voucher Scheme. Communications from Healthy Hearts and the important time to stop smoking. Additional messaging from a Public Health perspective including, alcohol abuse, healthy eating and more domestic violence preventative guidance. 18 May 2020 - Video message - Safe Families - Family Support how to connect with services. 13 August 2020 proposal to restore services for Askham Road Centre reviewed at Recovery Board	Chief Executive Family Services	3	3	9	Keep risk under review	25/08/2020	Open
51	Health and Safety	emerging requirements for residents in Care Homes and any potential exposure to COVID.	5	5	25	Needs and assessment. PHE expertise and advice. Whole Council approach Workforce monitoring Messaging PPE - over £2 million spent providing domiciliary care workers and care home staff with ample PPE and training, Key Workers and NHS Workers LBHF led on the development of Hot Hubs across West London - transitional beds for quarantine purposes. Daily provider calls - Home Care Working collaboratively with Imperial college medics and primary health clinicians Testing regimes Additional infection control funding announcement by HM Government of which the allocation to the Council is £688k. 19 May 2020 Strategic Director of Social Services and Director of Finance report on budget and allocations. Outbreak Plans and ongoing response from the Director of Public Health and PHE. 30 June 2020 Public Health update on the response to Covid 19 to Health, Inclusion and Social Care Policy and Accountability Committee by the Director of Public Health 30 June 2020 A summary of Adult Social Care's response to Covid 19 by the Strategic Director of Social Care	Strategic Director Social Care	3	4	12	Keep risk under review	25/08/2020	Open
Page 113	Partnership	there is a risk that suppliers are affected by either significant demands in the service or drops due to social isolation and they may struggle as a result.	4	3	12	Ongoing management assessment. Contract Management. Horizon scanning. Recovery planning group. 08 April funding package announced by HM Government to support the work of charities during the coronavirus outbreak including £370m for small and medium sized charities including a National Lottery Community Fund for England supporting organisations delivering food, essential medicines and providing financial advice. £360m to be directly allocated by government departments to charities providing key services and supporting vulnerable people during the crisis, including victims charities to help with potential increase in demand, vulnerable children charities so they can deliver services for local authorities and Citizens Advice to increase staffing numbers during the crisis. 13 May 2020 - Coronavirus grants awarded by the Council and local charity UNITED in Hammersmith & Fulham. 63 groups have benefitted from the grants scheme to help them respond to urgent need on the front line as they work to support the most vulnerable and hard to reach residents. 10 June 2020 - further discussion at the Horizon Scanning Group Ongoing review by CHS and ASC Commissioning Staff.	Strategic Leadership Team	4	3	12	Keep risk under review	25/08/2020	Open
	Legislative/Regulatory	there is a risk that statutory/regulatory inspections will not be carried out or completed.	4	3	12	Routine Care Quality Commission inspections will be temporarily suspended for the duration of the COVID-19 outbreak - MHCLG Ofsted will look very favourably on any requests to defer inspections because of coronavirus - MHCLG Councils will be able to use their discretion on deadlines for Freedom of Information requests - MHCLG The Economy Department are monitoring and reporting regularly on status of inspections and required works	Strategic Leadership Team	3	3	9	Keep risk under review	25/08/2020	Open
57	Economic/Financial	there is a risk that there may be some spike in insurance claims following the initial response.	4	3	12	Administration (written procedures) and record keeping, maintaining and reviewing health and safety risk assessments. Risk assessments being followed up by the Head of Health and Safety. Issue being reviewed at SLT Assurance Horizon scanning watchlist Further advice and assurance provided by the Head of the Insurance Service to the Assistant Director of People and Talent and Covid-19 Lead Director. 10 June 2020 further review at Horizon Scanning group. The Insurance Team have been informed of this risk and they are reviewing place risk assessments as they are undertaken.	Director of Audit Risk Fraud and Insurances	3	3	9	Keep risk under review	25/08/2020	Open
58	Customer/Client	there is a risk that there may be some initial increase in pent up demand for services following any relaxation of the Stay Home HM Government policy	5	3	15	Horizon scanning watchlist Discussed at Silver Group meeting 29 April 2020 Recommended for comment/review at Gold group Recovery Group 14 August 2020 review of the Coroners Court at Recovery Board and backlog of Inquest cases	Gold group	4	3	12	Keep risk under review	25/08/2020	Open
60	Social	there is a risk to those individuals who require additional support including those with mental health or drug and alcohol addiction.	5	4	20	The Council are working with organisations such as St Mungo's and Turning Point to ensure that individuals are safely housed, have food, medicine and support. 11 August 2020 discussed Outbreak Case at Test and Trace Project Board and the successful implementation of a multi-disciplinary team, services, CCG and GP's collaboration.	Strategic Director of Social Care	3	3	9	Keep risk under review	25/08/2020	Open

COUNCIL RISK REGISTER – POST COVID													
1. ONGOING RESPONSE		Risk Description	Inherent Risk					Residual Risk				Date reviewed	Risk Status Open/Closed
Ref No.	Class	There is a risk of..'	Likelihood	Impact	Score	Existing Controls	Risk Owner	Likelihood	Impact	Score	Planned Controls		
64	Health and Safety	there is a safety concern to individuals in the workforce who may be at increased risk of any exposure to Covid-19	5	4	20	<p>Head of London Regional Employers Organisation discussing the disproportionate impact of Covid 19 on black, Asian and minority ethnic (BAME) staff.</p> <p>Discussed at Heads of HR co-ordinating with Public Health colleagues who are investigating this issue with a view to getting a co-ordinated advice and appropriate risk assessment for staff. Interim advice note issued includes a risk assessment template. 'Brought to the attention of the Covid-19 Director and Director of People and Talent</p> <p>Risk assessment being undertaken by People and Talent using the template issued through the London Regional Employers Organisation.</p> <p>Assessment to be completed by 15 May 2020 involving the local Trade Unions for sign off at Silver and then communicated to Strategic Leadership Team 21 May 2020 and actioned via the Managers' Forum.</p> <p>10 June 2020 Discussed at Horizon Scanning - People and Talent are reviewing risk assessments undertaken and returned by Managers</p> <p>03 August 2020 Workplace Outbreak Plan</p> <p>06 August 2020 Review of person risk assessments at Health and Safety Board</p> <p>13 August 2020 Introduction of the WoW package with enhanced safe return to working practices</p> <p>14 August 2020 Introduction of Assurance framework for the safe restoration of services from council properties Cat 1, 2, 3 and 4 discussed and agreed at Technical Assurance Group</p>	Assistant Director People and Talent	3	3	9	Keep risk under review	25/08/2020	Open
65	Social	there is a risk of a second wave of infections if lockdown restrictions are lifted too early or without maintaining social distancing or adhering to new government guidance in the workplace.	5	5	25	<p>Horizon scanning.</p> <p>Review business continuity plans.</p> <p>Undertake a lessons learned exercise and retain knowledge within plans.</p> <p>New cleaning regimes, social distancing measures introduced in the workplace.</p> <p>Covid risk assessments, workforce and workplace.</p> <p>Public preventative social distancing measures maintained in busy areas within the borough.</p> <p>Enforcement Officers role in implementation of HSE measures in local businesses.</p> <p>Work with Public Health in their planning for a local outbreak</p> <p>Outbreak plans and introduction of Technical Assurance Group</p>	Strategic Leadership Team	3	3	9	Keep risk under review	25/08/2020	Open
66	Health and Safety	there is a risk that lockdown will be localised to areas within or around to the borough being quarantined that will require focussed support (housing estates, care homes, schools, offices or shops)	5	5	25	<p>Horizon scanning.</p> <p>Review business continuity plans.</p> <p>Undertake a lessons learned exercise and retain knowledge within plans.</p> <p>Covid risk assessments, workforce and workplace.</p> <p>Public preventative social distancing measures maintained in busy areas within the borough.</p> <p>Enforcement Officers role in implementation of HSE measures in local businesses.</p> <p>Collaborative working with Public Health.</p> <p>05 June 2020 Time to Shop Local and Shop Safe Intranet message and campaign. Hammersmith BID and Fulham BID and Shepherds Bush Business Forum are also running initiatives to support the campaign.</p> <p>15 June 2020 There are reports that the test and trace facility operated by Public Health England is not informing the Council appropriately with information to assist with Shielding. The issue has been identified by the Covid-19 Director and information is being fed back to Public Health England through the Director of Public Health.</p> <p>23 June 2020 Public Health England Local Outbreak Planning/Plans for high risk areas and scenario/exercising of plans</p> <p>20 August 2020 Head of Legal Services - development of a process within the Governance framework of the Council to trigger a 'local lockdown'.</p>	Strategic Leadership Team	4	3	12	Keep risk under review	25/08/2020	Open

COUNCIL RISK REGISTER – RESTART													
2. RESTART * background information includes reference to the HM Government Recovery Strategy May 2020			Inherent Risk			Existing Controls	National responsible body/Council lead	Residual Risk			Planned Controls	Date reviewed	Risk Status Open/Closed
Ref No.	Class	There is a risk of..'	Likelihood	Impact	Score			Likelihood	Impact	Score			
1	Economic/Financial	there is an increased risk of a critical business failure to the just-about-managing (JAMs) who are likely to be most exposed to those sectors affected by the mandatory shutdowns in retail, hospitality and leisure.	5	4	20	Government-funded furloughs will be helpful insofar as these businesses stay afloat, which will be difficult where market demand has been lost rather than deferred. State backed loans are being offered to the smallest businesses from 04 May 2020 with HM Government paying the initial 12 months interest. The 'Bounce Back' loans scheme offers up to £50,000 to small businesses and sole traders, being made available in 24 hours. Additional business support from the Council who have provided support during the Coronavirus pandemic. A new series of workshops will run over four weeks to assist businesses affected by the COVID-19 crisis in preparation for when lockdown is lifted including workshops on how to create ads, diagnose and fix web issues, social media scheduling and image design, Google analytics and Google console training. Business can also use the business social media platform to engage and trade with other local companies including Twitter, Facebook, LinkedIn and Instagram.	HM Treasury	4	4	16	Keep risk under review	25/08/2020	Open
2	Social	there is an increased risk to, trades and other occupations who are least suited to working from home. Their reliance on public modes of transportation once initial restrictions are lifted will place them at the forefront of the next wave of infections and deaths.	5	4	20	Safe distancing posters have been sent to local businesses which are still open to ensure employees and customers remain safe. Businesses can access the poster on the Council's business website. HM Government's easing of lockdown for more retail businesses in June. 04 June 2020 HM Government revised guidance of using face coverings when using Public Transport from 15 June 2020 and also in NHS settings. HM Governments further relaxing of lockdown restrictions and end of shielding. 01 August 2020 Businesses begin to take financial responsibilities for a proportion of furlough costs. HM Government incentive to pay £1000 per employee retained following furlough. 14 August 2020 Lockdown to ease further in England from 15 August 2020, more beauty treatments, small wedding receptions and live indoor shows can resume. This to include performance venues with socially distanced audiences, 30 guests at a wedding reception, piloting a small number of events at sporting venues for a safe return of spectators; Casinos and bowling alleys to reopen. All to operate but can be subject to change if a local lockdown restriction is imposed.	Department for Transport	3	4	12	Keep risk under review	25/08/2020	Open
3	Social	there is an increased risk to new entrants to the labour market who may face structural dislocations that can disadvantage their lifetime earning potential.	5	4	20	Recovery group	Department for Work and Pensions	4	4	16	Keep risk under review	25/08/2020	Open
4	Social	there is an increased risk of intergenerational fairness becoming even more intractable. Interest rates at the zero lower bound may help those seeking to refinance a mortgage but will be unwelcome to first-time buyers saving for a deposit. In contrast to incomes that have been depressed or lost altogether, wealth may recover more quickly benefiting older households.	5	4	20	05 June 2020 - MHCLG extend period banning new evictions to protect renters until 23 August 2020. August 2020 - MHCLG announced proposals banning new evictions for 4 weeks and new 6 month notice periods to be in place until at least 31 March 2021.	Ministry of Housing, Communities & Local Government	5	4	20	Keep risk under review	25/08/2020	Open
5	Social	there is an increased risk for educational attainment – and those unable to engage with "virtual learning".	5	4	20	Council procured laptops and dongles to enable access to the internet.	Strategic Director of Childrens Services	3	4	12	Keep risk under review	25/08/2020	Closed
6	Human resources	there is an increased risk that staff may misinterpret announcements by the Prime Minister regarding easing of lockdown as a green light to return to office based working .	4	4	16	Chief Executive messaging through h&f engage to all staff undertaken in advance of any expected announcement ahead of the Victory in Europe Bank Holiday. The majority of staff will continue to work agilely at home with only essential staff working in H&F either in our buildings or directly providing services to our residents. 22 June 2020 Recovery Board and h&f Engage messages provide an updated status on home and office working. August 2020 All services planning to return should be departmentally led and proposals outlined at Recovery Board.	Chief Executive	3	3	9	Keep risk under review	25/08/2020	Open
7	Environmental	there is an increased risk that the re-opening of the Smugglers Way and Cringle Dock recycling centres may be overwhelmed during their initial re-opening	4	4	16	Horizon Scanning Social Media messaging Opening times for residents based on registration plates Pedestrian one-way system in operation Pre-registering for vans Social distancing measures for residents and staff Limited intake of Green Garden Waste and bagged General Waste (the waste that you would normally place in a rubbish bin). 22 May 2020 WRWA Smuggles Way Recycling Centre return to usual opening hours and offer increased opportunities.	Chief Officer, Public Realm	3	3	9	Keep risk under review	01/06/2020	Closed

COUNCIL RISK REGISTER – RESTART													
2. RESTART * background information includes reference to the HM Government Recovery Strategy May 2020			Inherent Risk			Existing Controls	National responsible body/Council lead	Residual Risk			Planned Controls	Date reviewed	Risk Status Open/Closed
Ref No.	Class	There is a risk of..'	Likelihood	Impact	Score			Likelihood	Impact	Score			
8	Legislative /Regulatory	there is a risk that the HM Government's easing of the lockdown will result in some businesses not having social distancing measures or robust risk assessments in place ready for opening. For example, estate agents, housing viewings, lettings, garden centres resulting in increased calls for guidance and assistance from the Council's Health and Safety Team	4	4	16	HM Government additional resources for the Health and Safety Executive including advice and regulation. Review by Regulatory Services.	Chief Officer, Safer Neighbourhood and Regulatory Services	4	3	12	Keep risk under review	04/08/2020	Closed
9	Competitive	there is a risk that the HM Government's easing of the lockdown will result in some businesses or groups buying large volumes of PPE stock increasing pressure to the supply to the Council.	4	4	16	Ongoing review of supply and demand through the existing procurement processes established for the Covid-19 response 17 June 2020 The Council now has sufficient stocks that could be used in the event of a second wave. Discussed at Silver Horizon Scanning	Director of Resources	4	3	12	Keep risk under review	18/06/2020	Closed
10	Competitive	there is a risk that the HM Government's easing of the lockdown will result in some organisations seeking supplies of PPE through the Council.	4	4	16	Ongoing review of supply and demand through the existing procurement processes established for the Covid-19 response 24 June 2020 - Horizon scanning determined that the Council holds a significant amount of PPE stock. The Assistant Director for Facilities Management and Director of Finance to discuss and prepare a short report to SLT on third party PPE requests. August 2020 - report of the Head of Procurement and Contracts seeks to establish supplies to replenish stocks.	Director of Finance Assistant Director of Facilities Management	3	3	9	Keep risk under review	25/08/2020	Open
11	Customer/Client	there is a risk that the HM Government's easing of the working hours in the construction industry will have an adverse effect on the local residents and businesses.	4	4	16	Briefing note taking proposals to Strategic Leadership Team with input from the Economy and Children's Services Department.	Strategic Leadership Team	4	3	12	Keep risk under review	25/08/2020	Open
Page 116	Customer/Client	there is a risk that the HM Government's proposals for primary schools to return on 01 June 2020 will raise concerns from staff about safety in the school setting and their journey into work including provision of parking and implementation of distancing measure in the classroom and play areas. *HM Government proposals amended for schools to return in September 2020.	4	4	16	World Health Organisation guidelines. Space planning. Transport planning. Supporting Schools catalogue of services offer including; space planning for classrooms, cleaning webinar for caretakers and business managers, internal building adaptations, surveys of hand cleaning facilities, providing free laptops and Wi-Fi schemes under the HM Government initiative, staff key worker parking, access to the Council's PPE Supply Chain, financial advice for schools. 22 May 2020 - Statement on schools from the Leader of the Council 12 June 2020 - Whilst some schools have seen a small return of pupil numbers HM Government conceded that 01 June was not realistic timeframe and that an expectation will be that schools would return in September 2020. 27 July 2020 - Children's Services report to Children and Education, Policy and Accountability Committee on the response to Covid-19 including , Family Services; Looked After Children; Education; SEND; Commissioning	Strategic Leadership Team	4	3	12	Keep risk under review	25/08/2020	Open
13	Customer/Client	there is a risk that the HM Government's proposals for retail businesses to re-open in mid-June will result in some businesses not being Covid safe on re-opening.	4	4	16	27 May 2020 H&F Brilliant 4 Biz communications - Working safely during Coronavirus - Webinar from the Department of Business Energy and Industrial Strategy through Eventbrite. The Council has published details for businesses of the HM Government and Health and Safety Executive guidance on social distancing for business, carrying out risk assessments in accordance with Health and Safety Executive, PPE, customer safety including specific guidance for; Construction and other outdoor work; factories, plants and warehouses; labs and research facilities; offices and contact centres; other people's homes, restaurants offering takeaways and deliveries; shops and branches; vehicles. The Council has also provided a Covid-19 safety poster for local businesses to display in their premises to help ensure safety of their employees and customers. 24 May 2020 HM Government Ministry of Housing, Communities and Local Government - Reopening High Streets Safely Fund will help councils in England introduce a range of safety measures in a move to get people back to work and customers back to the shops. It will also support a range of practical safety measures including new signs, street markings and temporary barriers. This will help get businesses get ready for when they can begin trading safely, not only in high streets and town and city centres, but also in other public spaces. Councils will also be able to use this money to develop local marketing campaigns to explain the changes to the public and reassure them that their high streets and other commercial areas are safe. LBHF Awarded £166.9k The government has published COVID-secure guidelines for people work in or run shops, branches, and stores. This guidance supports shops that are currently open, such as supermarkets and pharmacies, but will also be useful for those in non-essential retail to consider now for when they are allowed to open.	Strategic Leadership Team	4	3	12	Keep risk under review	25/08/2020	Open
14	Environmental	there is a risk that the HM Government's proposals for retail businesses to re-open may cause traffic congestion due to a reluctance/advice not to use Public Transport	4	4	16	H&F Adapting public spaces to make travel safer and support H&F businesses. Streets have been temporarily adapted during the Covid-19 crisis. Pavements will be widened, and new segregated cycling lanes installed. The Council has published a timeline for the business relaxation of lockdown. They will be expected to follow the new staying Covid Secure guidelines. 1 June Outdoor markets and car showrooms. 15 June all remaining non-essential businesses will be able to re-open including shops selling clothes, shoes, furniture, books and electronics, tailors, auction houses, photography studios and indoor markets. 4 July plans to open some of the remaining businesses include; hairdressers, beauty salons, food service providers, pubs and cinemas. Horizon scanning meeting 10 June 2020 closed this risk. TfL and the Mayor of London have also identified the concerns about use of Public Transport and have begun issuing free face coverings at bus stations and a number of main tube and rail stations.	Chief Officer, Public Realm	3	3	9	Keep risk under review	25/08/2020	Closed

COUNCIL RISK REGISTER – RESTART													
2. RESTART * background information includes reference to the HM Government Recovery Strategy May 2020			Inherent Risk			Existing Controls	National responsible body/Council lead	Residual Risk			Planned Controls	Date reviewed	Risk Status Open/Closed
Ref No.	Class	There is a risk of..'	Likelihood	Impact	Score			Likelihood	Impact	Score			
15	Health and Safety	there is a risk that the HM Government's proposals for reduction of lockdown restrictions could lead to local housing estates, schools, businesses or workplaces being closed in order to stem the virus. Hotspots could be placed under local lockdown conditions	4	4	16	Contingency planning Review of service continuity plans to prepare for a 2nd wave of infections or local outbreak. Public Health Planning London Planning Outbreak Plans	Strategic Leadership Team	3	3	9	Keep risk under review	25/08/2020	Open

COUNCIL RISK REGISTER - RECOVERY														
3. RECOVERY Senior Responsible Officer, COVID Director			Inherent Risk			Existing Controls	Senior Responsible Officers/Group	Residual Risk			Planned Controls	Date reviewed	Risk Status Open/Closed	
Ref No.	Class	There is a risk of"	Likelihood	Impact	Score			Likelihood	Impact	Score				
1	Social	there is an increased risk in meeting humanitarian assistance which is likely to include sustained financial support	5	4	20	Recovery Strategy, Horizon scanning, Humanitarian aid planning, Recovery Group	Head of Regulatory Services	3	4	12	Keep risk under review	25/08/2020	Open	
2	Customer/Client	there is an increased risk in meeting pent up demands for services temporarily suspended or reduced during the COVID response.	5	4	20	Recovery Strategy, Horizon scanning, Recovery Group	Strategic Leadership Team	4	4	16	Keep risk under review	25/08/2020	Open	
3	Environmental	there is a risk that any return to office-based working is delayed due to implementing new distancing measures and workforce rota's in offices	4	4	16	Facilities management and People and Talent workplace and workforce planning, risk assessment. Recovery Group. Ways of Working.	Assistant Director of Facilities Management, Assistant Director of People and Talent	3	3	9	Keep risk under review	25/08/2020	Open	
4	Economic/Financial	there is a risk to local arts, theatres, music and other venues in the borough if the period of social distancing continues for a considerable period	4	4	16	Recovery Strategy, Arts Strategy, Recovery Group	Assistant Director of Leisure Sports and Culture	3	4	12	Keep risk under review	25/08/2020	Open	
5	Political/Policy	There is a risk to employment and businesses in the hospitality and travel sector	4	4	16	Recovery Strategy, Recovery Group	Strategic Director the Economy Department	4	4	16	Keep risk under review	25/08/2020	Open	
Page 18	6	Human resources	There is a risk that services begin to re-design office or workplace layouts without reference to corporate plans and asset management.	4	3	12	Recovery Strategy, Recovery Group, Phased approach to re-occupation of Corporate Buildings, risk assessment. 01 June 2020 Recovery and budget planning assessment to be completed by 22 June 2020 08 June 2020 Re-occupation of corporate properties survey to be completed by 10 June 2020 17 June 2020 Asset plans discussed at Recovery Board, communications to Officers on the recovery programme now available on the main intranet page and include specific instruction that Officer do not return to the Officer without risk assessment and strict permission from their Director. August 2020 Introduction of a Technical Assurance Group comprising Digital, FM, Workforce and Health and Safety Officers. Services are to use six steps to recovery as available on the Recovery site of the Intranet.	Strategic Leadership Team	3	3	9	Keep risk under review	25/08/2020	Open
	7	Human resources	There is a risk that some businesses are not able to continue due to financial pressures that provide a key service to the Council	4	3	12	Recovery Strategy, Recovery Group, Supply Chain resilience and continuity planning Creditsafe Covid-19 risk appraisal for the Council's suppliers requested Contracts Assurance Board and Chief Executive to consider proposals	Strategic Leadership Team	3	3	9	Keep risk under review	25/08/2020	Open
	8	Technological	There is a risk that network failover tests required in preparation of moving systems out of the Town Hall impact on the Council's Covid-19 response such as they affect the entire network and telephony.	4	3	12	12 June 2020 Raised to Silver Officers by Digital Services on e-mail. Service Continuity Plans. 25 June 2020 Notification e-mail from IT to all staff regarding the failover test occurring in the evening	Strategic Leadership Team	3	3	9	Keep risk under review	25/08/2020	Open
	9	Human resources	There is a risk of staff burn out due to the focus, effort and energy committed by staff to the Covid-19 response	4	4	16	25 June 2020 Raised at pre-mortem with the Leadership forum and discussed at Recovery Board. Managers encourage staff and themselves to take annual leave - there has since been an increase in staff booking leave - Silver People and Talent report Staff attendance is down by 8% as an indicator that messages are working. Managers Assist has been launched on the Intranet that compliments the Wellbeing Wednesdays, and work Employee Assistance Programme. Regular meetings with TU's and People and Talent Regular reminders of the Council's Welfare Offers and Support Mechanisms Staff Survey	Strategic Leadership Team and People and Talent	4	3	12	Keep risk under review	25/08/2020	Open
	10	Human resources	There is a risk that some services are affected by Agile and/or Remote working and that may affect the efficient delivery of services that we aspire to deliver to the public.	4	4	16	25 June 2020 Raised at pre-mortem with the Leadership forum and discussed at Recovery Board. Performance Appraisal Lite issued Leadership Forum are sighted on this issue and the People and Talent Team are working with Leaders and Digital Services, FM and the Recovery Board in positive collaboration to address areas. Reference to the ongoing work on the Civic Campus Programme.	Leadership Forum and People and Talent	4	3	12	Keep risk under review	25/08/2020	Open
	11	Customer/Client	There is a risk that the demand for pace impacts on areas which require more time and learning – such as innovation, co-production and climate change	4	4	16	25 June 2020 Raised at pre-mortem with the Leadership forum and discussed at Recovery Board	Director of Covid-19	4	3	12	Keep risk under review	25/08/2020	Open

COUNCIL RISK REGISTER - RECOVERY													
3. RECOVERY Senior Responsible Officer, COVID Director			Inherent Risk			Existing Controls	Senior Responsible Officers/Group	Residual Risk			Planned Controls	Date reviewed	Risk Status Open/Closed
Ref No.	Class	There is a risk of"	Likelihood	Impact	Score			Likelihood	Impact	Score			
12	Human resources	Workforce gaps from loss of staff and agency reduction	4	4	16	25 June 2020 Raised at pre-mortem with the Leadership forum and discussed at Recovery Board Recovery Planning and MTFS - Innovation and change, taking benefits from Digital Services as a form of Outreach to the Community examples include the use of AI to contact vulnerable people or use of h&f CAN volunteers Financial modelling of the impacts on Council finances and resilience at Finance Board and Strategic Leadership Team	Strategic Leadership Team	4	3	12	Keep risk under review	25/08/2020	Open
13	Partnership	Deterioration in partner relationships leads to loss of confidence in Council and partners overwhelmed/ fatigued/ unclear of their role	4	4	16	25 June 2020 Raised at pre-mortem with the Leadership forum and discussed at Recovery Board Partners may be faced with managing new challenges and objectives that are a consequence of Covid-19 The Council has extensively reached out to partners to keep them informed and supported during Covid-19 additional financial support has been made through local organisations funding, HM Government Grants or schemes	Strategic Leadership Team	4	3	12	Keep risk under review	25/08/2020	Open
14	Customer/Client	Failure to consistently communicate and engage with residents on recovery plans	4	4	16	25 June 2020 Raised at pre-mortem with the Leadership forum and discussed at Recovery Board Communications and consultations strategy reviewed and discussed at Recovery Board	Assistant Director Policy and Communications	4	3	12	Keep risk under review	25/08/2020	Open
Opportunity													
1	Human resources	there is an opportunity to retain some of the working from home arrangements proven during the COVID response.	5	4	20	Recovery Strategy, Workforce plan, space planning 01 June 2020 Recovery and budget planning assessment to be completed by 22 June 2020 08 June 2020 Re-occupation of corporate properties survey to be completed by 10 June 2020 13 August 2020 Ways of Working guidelines introduced	Assistant Director for People and Talent	5	4	20	Keep opportunity under review	25/08/2020	Open
2	Environmental	there is an opportunity to retain some of the environmental benefits from reduced commuting and working from home arrangements proven during the COVID response.	5	4	20	Recovery Strategy Climate emergency and recovery presentation at Recovery Board	Chief Officer, Public Realm	5	4	20	Keep opportunity under review	25/08/2020	Open
3	Environmental	there is an opportunity to retain some of the physical use of property benefits from reduced commuting and working from home arrangements proven during the COVID response.	5	4	20	Recovery Strategy	Assistant Director of Facilities Management	5	4	20	Keep opportunity under review	09/06/2020	Open
4	Technological	there is an opportunity to retain some of the services moved to a digital form of delivery proven during the COVID response.	5	4	20	Recovery Strategy; 13 August 2020 discussed at Recovery Board - Digital Services to be a mandatory theme amongst recovery proposals	Strategic Leadership Team, Assistant Director Digital Services	5	4	20	Keep opportunity under review	13/08/2020	Open
5	Human resources	there is an opportunity to return some services which were geographically dispersed to the local area boosting local employment opportunities and resources	5	4	20	Recovery Strategy	Strategic Leadership Team	5	4	20	Keep opportunity under review	25/08/2020	Open
6	Customer/Client	there is an opportunity to review areas of family service provision following the initial Covid-19 outbreak and retain or further develop on-line digital services.	5	4	20	Recovery Strategy; 13 August 2020 Family Services re-opening of the Askham Centre considered at Recovery Board	Strategic Leadership Team	5	4	20	Keep opportunity under review	13/08/2020	Open
7	Customer/Client	there is an opportunity to review areas of the Civic Campus Programme for opportunities and benefits delivered and how they can contribute to the post Covid-19 delivery of Council Services	5	4	20	Recovery Strategy	Strategic Leadership Team	5	4	20	Keep opportunity under review - underway, report to SLT DB and NB The Economy Department working with DP in Finance (Commercial)	14/08/2020	Open

COUNCIL RISK REGISTER - RECOVERY													
3. RECOVERY Senior Responsible Officer, COVID Director			Inherent Risk			Residual Risk							
Ref No.	Class	There is a risk of"	Likelihood	Impact	Score	Existing Controls	Senior Responsible Officers/Group	Likelihood	Impact	Score	Planned Controls	Date reviewed	Risk Status Open/Closed
8	Customer/Client	there is an opportunity to utilise the h&f CAN volunteers in other areas and also to review the current operating hours for the call centre	5	4	20	Briefing	Assistant Director for Housing Operations	5	4	20	Keep opportunity under review	09/06/2020	Open
9	Technological	there is an opportunity to utilise world-leading artificial intelligence technology like the Yokeru system to identify those residents in greatest need and get help to them without delay including food parcels.	5	4	20	Recovery Strategy - The Council quickly put in place h&f Shield with Volunteers from h&f CAN and staff from the business intelligence unit. Yokeru were brought in to make automated calls to 9000 residents to see who needed help urgently. Volunteers and staff then followed up in person.	Assistant Director Digital Services	5	4		Keep opportunity under review	25/06/2020	Open

COUNCIL RISK REGISTER – TEST AND TRACE													
4. TEST AND TRACE Lead Officer Customer Service Transformation Manager			Inherent Risk			Residual Risk							
Ref No.	Class	There is a risk of..”	Likelihood	Impact	Score	Existing Controls	Senior Responsible Officers/Group	Likelihood	Impact	Score	Planned Controls	Date reviewed	Risk Status Open/Closed
1	Health and Safety	There is a risk that the Covid-19 response in the local area is not sufficient in addressing outbreaks or hotspots.	5	5	25	<p>HM Government Test and Trace NHS Test and trace contacting website Contact Trace Project Contact Tracing Communications Plan utilising existing communication channels, e-news, Nextdoor, letters, leaflets, banners, posters and the residents involvement team in Housing, Schools staff zone, Sobus for the community and voluntary sector, Ward Action Groups, Somali consortium, Young Hammersmith & Fulham Foundation and wider community sector. Adult Social Care and Public Health Commissioning can disseminate information to the services they commission, which includes drug users, the homeless, people fleeing violence, LGBT communities, people with disabilities.</p> <p>Local Government Health and Wellbeing Board 17 June 2020 Key areas identified by Public Health Include:</p> <ul style="list-style-type: none"> • Schools mainstream and special needs schools • Mental health service provisions • Care Nursing Homes • Sheltered accommodation • Dormitories – Migrant workers • Housing Multiple Occupancy (HMO's) • Homelessness hostels <p>and following further feedback from Public Health - Business and Workforce Existing Service Continuity Plan Leads and Plans. 04 August 2020 Outbreak Plans and walkthrough testing. 17 August 2020 Outbreak Plans for Imperial University setting walkthrough.</p>	Director of Public Health	3	3	9	Keep risk under review	17/08/2020	Open
2	Social	Lack of engagement in the test and trace system.	5	5	25	<p>Obstacles and barriers acknowledged in the Contact Tracing Communications Plan.</p> <p>Measures include; Daily social media output supporting national and local public health messaging (retweets etc.) Weekly updates in e-news on what is happening with contact tracing in the borough. Letters (to be provided by PHE) to those told to self-isolate. Media opportunities. Potentially highly localised individual communications plans to support local lockdowns, including: targeted messaging on Nextdoor; letters to residents; street posters; leaflets in windows etc. Local NHS organisations/ health providers to be informed of H&F plans (NHS NWL CCG, NHS H&F CCG, Imperial College Health Partnership, Imperial College Healthcare NHS Trust NHS West London Trust, Central London Community Healthcare NHS Trust, H&F GP Federation, H&F PCNs, Middlesex LPCs) to ensure consistent messaging and support Local VCS, Imperial College London, H&F Healthwatch, housing associations in H&F, MPS, LFB & LAS to be informed of H&F plans to ensure consistent messaging and support All services that ASC & PH commission to be sent details of the H&F plans to ensure consistent messages and support Upstream, Hammersmith Bid, Fulham Bid and Shepherd's Bush Business Forum to be sent detail of the plans and how they can support H&F with consistent messaging re track and trace LBHF Test and Trace Project plan</p>	Director of Public Health	4	3	12	Keep risk under review	18/06/2020	Closed
3	Health and Safety	risks associated with the of identification of Covid-19 at a borough level	5	5	25	<p>Public Health England Contact Tracing data. Public Health England Daily report for London PHE Centre. Local Outbreak Control Plan containing seven key themes and actions allocated to named Officers. Contact tracing Wellbeing Plans Supporting the Vulnerable - Local Government Association Guidance as below; That the underlying principle of support be that people will be assisted to access food and key goods themselves, for example, through supermarket/other deliveries, volunteer shopping etc, rather than be provided with food parcels. As with the shielding systems, Councils should be viewed as the emergency backup position for people struggling to access food. •That those who need to self-isolate, but lack support, should be referred directly to Councils via the appropriate helpline number. Any monitoring requirements of the local response should be agreed with Councils at the outset, should be proportionate and be used to inform future developments so the focus of activity can remain on supporting the vulnerable. •Councils will also be able to refer to statutory services such as Adult Social Care where necessary, and also signpost to local services that support wellbeing and reduce isolation. Councils will wish to develop specific approaches for 'hard to reach' vulnerable groups-such as rough sleeper and gypsy and traveller communities-and to also manage risks that have emerged during lockdown, such as the increase in domestic abuse. Local plans also will need to use the growing evidence based to minimise the impact on particular BAME groups and on existing health inequalities</p>	Director of Public Health	3	3	9	Keep risk under review - Test and Trace Project	04/08/2020	Open
4	Economic/ Financial	risks associated with the financing of Covid-19 at a borough level	5	5	25	<p>Hardship funding made available at the local level by HM Government to enable the council to respond most effectively to the different circumstances where this need could arise. For example, there may be some circumstances where people need additional financial support as a result of the requirement to self-isolate, despite the provision of statutory sick pay for those unable to work from home.</p>	Director of Public Health	4	3	12	Keep risk under review	25/08/2020	Open

CORPORATE CONTINUITY													
5. CORPORATE CONTINUITY Lead Officer Business Continuity Manager			Inherent Risk						Residual Risk				
Ref No.	Class	There is a risk of..”	Likelihood	Impact	Score	Existing Controls	Senior Responsible Officers/Group	Likelihood	Impact	Score	Planned Controls	Date reviewed	Risk Status Open/Closed
1	Technological	risks associated with the failure of the IT Network infrastructure	5	5	25	Insurances-Business Continuity plan(s)-Disaster recovery plan-Service Resilience Group	Chief Digital Officer	3	4	12	Keep risk under review	14/08/2020	Open
2	Technological	risks associated with the failure of the IT Network Cyber-attack (e.g. Total or partial loss of data)	5	5	25	User training and guidance-Firewalls-Backups-Insurances-Business Continuity plan(s)-Disaster recovery plan-Service Resilience Group	Chief Digital Officer	4	4	16	Keep risk under review	14/08/2020	Open
3	Technological	risks associated with loss of a major IT system	5	5	25	Business Continuity plan(s)-Contractual obligations of the provider-periodic credit reviews-contract management-emergency procurement-	Asset Owner/Director	3	3	12	Keep risk under review	14/08/2020	Open
4	Economic/Financial	risks associated with the exit of the EU	4	5	20	Business Continuity plan(s)	Director of Finance	3	4	12	Keep risk under review	14/08/2020	Open
5	Human resources	risks associated with Workforce - Covid	5	5	25	Workforce plan-Vendor Neutral Agency Provider-'Business Continuity plan(s)-Outbreak Plan	Assistant Director of People and Talent	3	4	12	Keep risk under review	14/08/2020	Open
6	Environmental	risks associated with Terrorism or Explosion in the local area	5	5	25	Licensing and inspections-Security-Emergency Plan-Business Continuity plan(s)-Insurance	Assistant Director of People and Talent	3	4	12	Keep risk under review	14/08/2020	Open
7	Customer/Client	risks associated with loss of a significant supplier (non-IT)	5	5	25	Contract Management-Credit Checking- Supply Chain Assessment--Business Continuity plan(s)-emergency procurement	Head of Procurement and Contracts	3	4	12	Keep risk under review	14/08/2020	Open
8	Energy or Fuel	risks associated with loss of Utilities (Power, Gas, Water)	5	5	25	Contract Management- Supply Chain Assessment--Business Continuity plan(s)-emergency procurement-Emergency Plan	Assistant Director of Operations the Economy Department	3	4	12	Keep risk under review	14/08/2020	Open
9	Environmental	risks associated with total loss of use of a building, office or workplace. (Fire, flood, collapse, cordon, social disorder or protest)	5	5	25	Asset management-Business Continuity Plan(s)	Assistant Director of Operations the Economy Department	3	4	12	Keep risk under review	14/08/2020	Open
10	Legislative/Regulatory	risks associated with ensuring completion of a successful election.	5	5	25	Elections Team-Elections Project Team-Business Continuity Planning.	Head of Electoral Services	2	4	8	Keep risk under review	14/08/2020	Open
11	Partnership	risks associated with failure of a strategic partnership (IBC, Family Support, Pensions Admin.)	5	5	25	Partnership governance and appointments-Performance Reviews-Business Continuity Plan(s)	Strategic Leadership Team	3	4	12	Keep risk under review	14/08/2020	Open
12	Partnership	risks associated with failure of a banking or payment system	5	5	25	Performance reviews-Business Continuity Plan(s)-Use of Procurement Cards-repeat last payments run	Director of Finance	2	4	8	Keep risk under review	14/08/2020	Open
13	Partnership	risks associated with the running of the mortuary service on behalf of other London Boroughs	5	5	25	Performance reviews-Business Continuity Plan(s)--Designated Disaster Mortuary Plan	Director of Resources	2	4	8	Keep risk under review	14/08/2020	Open
Community risks													
1	Economic/Financial	risks associated with Brexit and the impact on supplies, food, power and workforce.	5	5	25	Brexit Planning	Director of Finance	4	4	16	Keep risk under review	14/08/2020	Open
2	Social	risks associated with Covid 19 and the impact on supplies, food, power, employment and Public Health	5	5	25	Covid Response and Recovery Planning - Outbreak Plans - Business Continuity Plans	Strategic Leadership Team	4	4	16	Keep risk under review	14/08/2020	Open
3	Customer/Client	risks associated with Terrorism or Hostile Vehicle attack in the local area	4	5	20	CCTV-Street Design and Planning-Situational awareness and liaison with the Police	Community Safety Manager	4	4	16	Keep risk under review	14/08/2020	Open
4	Customer/Client	risks associated with Fire	4	5	20	CCTV-Fire Safety Measures-Property Design and Planning-LFB	Community Safety Manager	2	4	8	Keep risk under review	14/08/2020	Open
5	Customer/Client	risks associated with Climate Change (heat, flood, cold, wind)	4	5	20	Declaration of a Climate Change Emergency-Residents Commission-Air Quality Monitoring-Traffic controls and Initiatives-SuDs	Climate Strategy Lead	3	4	12	Keep risk under review	14/08/2020	Open

London Borough of Hammersmith & Fulham

Report to: Audit and Pensions Committee

Date: 15/09/2020

Subject: Head of Internal Audit Annual Report 2019/20

Report of: David Hughes, Director for Audit, Fraud, Risk and Insurance

Responsible Director: Director for Audit, Fraud, Risk and Insurance

Summary

This report summarises the work of Internal Audit in 2019/20 and provides the opinion of the Director of Audit, Fraud, Risk and Insurance on the adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion is provided for the use of the London Borough of Hammersmith and Fulham and is used to support its Annual Governance Statement.

The report sets out a continuing trend of improvement in assurance being obtained and provided for 2019/20 through the work of internal audit. The reflects the commitment to a robust assurance framework being led by the Chief Executive, through monthly SLT Assurance meetings, and through the delivery of the Ruthlessly Financially Efficient programme led by the Director of Finance.

Recommendation

For the Committee to note and comment on the report.

Wards Affected: None

H&F Values

Our Values	Summary of how this report aligns to the H&F Priorities
Being ruthlessly financially efficient	The work undertaken by Internal Audit helps to ensure that management have robust controls and practices in place to safeguard the Council's assets, controlling expenditure and maximising potential income to protect and invest in essential frontline services which are in place to meet the Council's priorities

Contact Officer:

Name: David Hughes
Position: Shared Services Director for Audit, Fraud, Risk and Insurance
Telephone: 020 7361 2389
Email: David.HughesAudit@lbhf.gov.uk

Background Papers Used in Preparing This Report

None.

DETAILED ANALYSIS

1. From the Internal Audit work undertaken in the financial year 2019/20, reasonable assurance can be provided that the systems of internal control in place are effective with 85% of the audits undertaken receiving a positive assurance opinion (88% in 2018/19), with no Nil Assurance audits being reported for the fourth consecutive year.
2. There are some areas where control improvements are required and compliance with agreed systems could be improved. In each case, action plans are either in place, or have already been implemented, to remedy the weaknesses identified. These will be followed up by the internal audit team until they are completed.
3. The Council was found to be effective, in most areas, at implementing recommendations where concerns in respect of controls were identified.
4. The report is a key element of the evidence supporting the Annual Governance Statement (AGS), which will be presented separately to the Committee with the Annual Accounts.

Internal Audit Work 2019-20

5. The Audit and Accounts Regulations 2015 require the Council to conduct a review of effectiveness of the system of internal control. This contributes to the Council priority of being Ruthlessly Financially Efficient. Detailed reports on the performance and outcomes of the internal Audit work undertaken, have been presented regularly to the Council's Section 151 Officer and at each meeting of the Audit and Pensions Committee.
6. Wherever possible, when planned audits are postponed, alternative audit work is identified or alternative sources of assurance are sought, for example, through external inspections and reviews of Council services. During the past year, the Council has secured positive outcomes from a number of external inspections. The outcome of these and other inspections is set out in and also supports the overall assessment in the Council's Annual Governance Statement for 2019/20.
7. The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). During 2019/20 the Internal Audit Service undertook a self-assessment to verify PSIAS compliance which has identified general compliance with the Standards with minor improvements which will be addressed during 2020/21.

Internal Audit Opinion

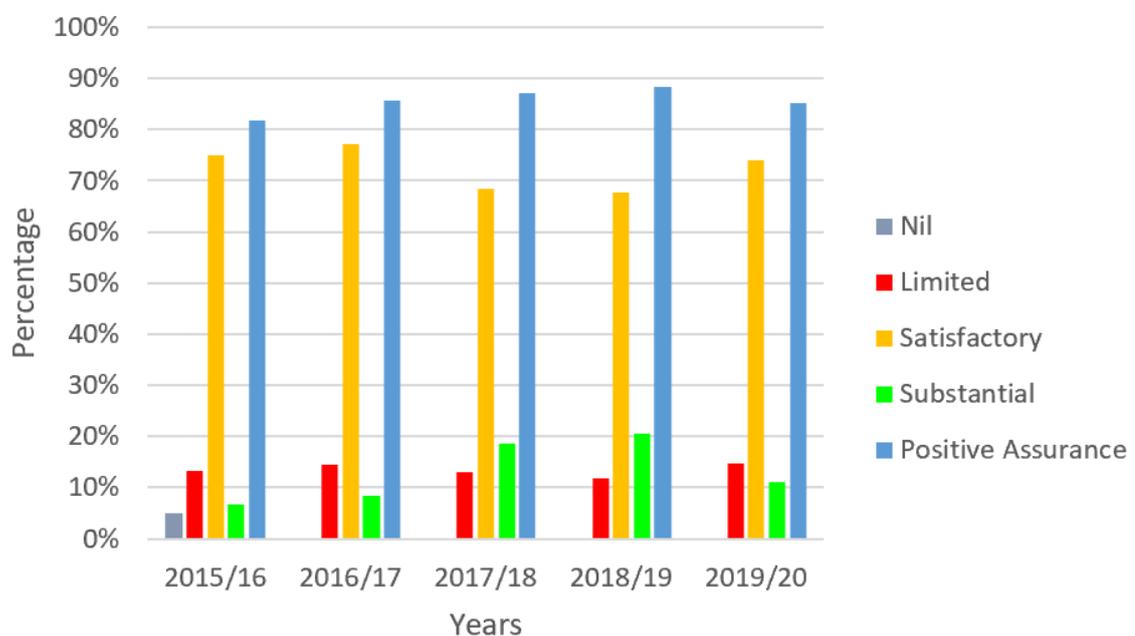
8. As the provider of the internal audit service to the London Borough of Hammersmith and Fulham, the Director of Audit, Fraud, Risk and Insurance is required to provide the Section 151 Officer and the Audit and Pensions Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. In giving this opinion it should be noted that assurance can never be absolute. Even sound systems of internal control can only provide reasonable and not absolute assurance.
9. The opinion is that, at the time of preparing this report and based upon the work completed this year, the Council's governance, risk management and internal control systems in the areas audited were adequate with the exception of those areas detailed as Limited assurance (see paragraph 4.15 below), all of which have been reported to the Audit and Pensions Committee. This is a positive opinion which means that the Council generally

has effective internal control systems with 85% of audits receiving a positive assurance opinion, including 11% receiving a Substantial assurance rating. This is a slight reduction from the outcomes in 2018/19 when 88% of audits received a positive assurance opinion. However, given that the audit plan is risk based and no Nil Assurance reports have been issued again this year, this slight reduction is not a cause for concern

10. In the above context it should be noted that:

- This opinion is based solely upon the areas reviewed and the progress made by the Council to action internal audit recommendations;
- Assurance can never be absolute neither can internal audit work be designed to identify or address all weaknesses that might exist;
- Responsibility for maintaining adequate and appropriate systems of internal control resides with Council management, not internal audit.

Assurance Levels of Reports from 2015/16 to 2019/20



Managed Services - Finance, HR and Payroll systems

11. Following the implementation of the new Managed Service in December 2018, the Head of Internal Audit and the Shared Services Director of Audit, Fraud, Risk and Insurance have been liaising with the Hampshire County Council's (HCC) Internal Audit Service, Southern Internal Audit Partnership (SIAP), to ensure that appropriate audit work can be planned to provide the Council with assurance over the adequacy of controls following the implementation of the new finance, HR and payroll systems.
12. HCC commissioned an external review of the suitability of the controls and control objectives operated within the Integrated Business Centre (IBC), with a Service Organisation Controls Type 1 Report provided on the suitability of the design of controls as at 31 March 2019, which was based on International Standard Assurance Engagement (IASA) 3402.
13. During 2019/20, HCC commissioned a Type 2 Report on the suitability of the design and operating effectiveness of controls which was prepared in accordance with ISAE 3402 and covered the period 1 April to 31 December 2019. It was reported that, the controls operated effectively to provide reasonable assurance that the Control Objectives were

achieved if complementary user entities assumed in the design of the IBC controls, operated effectively throughout the period reviewed.

14. In addition to the assurances provided by HCC, as part of the Council's drive to be Ruthlessly Financially Efficient (RFE), Internal Audit have been reviewing compliance with the local controls in respect of Finance, HR and Payroll processes. Outcomes from the RFE testing was previously reported to the Audit and Pensions Committee in December 2019.

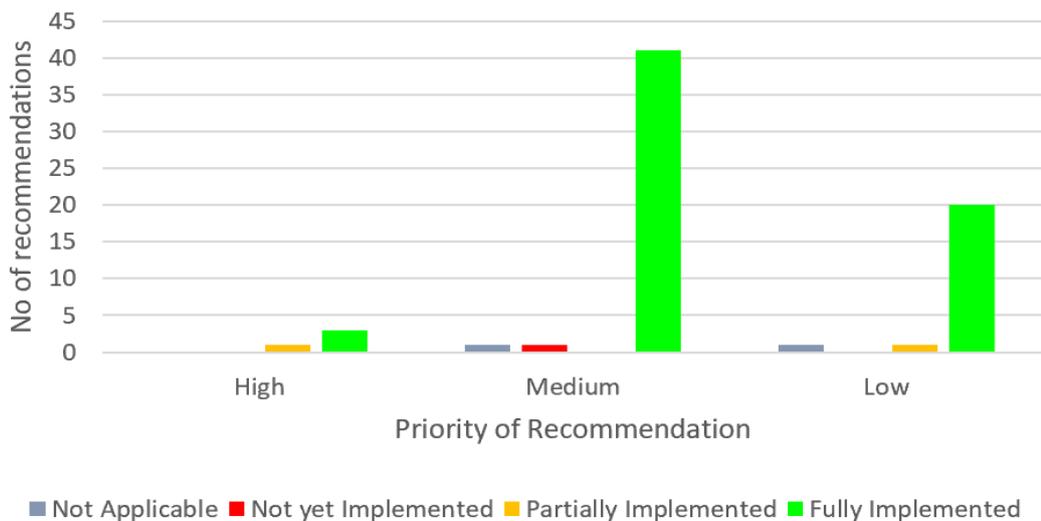
Schools Audit Work

15. In addition to full audits at three schools, two surveys were undertaken to provide a thematic assessment of the budget management and procurement processes across the Council's maintained and voluntary schools. The responses to these surveys provided some assurance that, in most cases, the schools had appropriate controls in place in respect of how they manage their budgets and procure goods and services. However, the responses also indicated areas where improvements could be made and Internal Audit will be working with the Education Finance Team on how to implement improvements, identify potential training requirements and consider where good practice can be shared across the schools.

Follow ups

16. The implementation of audit recommendations is reported regularly to SLT Assurance and to the Audit and Pensions Committee.
17. Sixty-nine recommendations were followed up in 2019/20 and confirmed that the implementation of medium and high priority recommendations has been consistently effective:
 - 94% of medium and high priority recommendations followed up in 2019/20 were fully implemented with a further 2% partly implemented.
 - 75% of high priority recommendations followed up were found to be fully implemented with the remaining 25% partly implemented.

Follow up results for 2019/20



18. Issues arising from Internal Audit work which have significant implications for the Council's control assurance framework have been included in the Annual Governance Statement which is reported separately to this Committee. The monitoring process in respect of the

Annual Governance Statement also ensures that follow up action is taken to remedy the key control weaknesses found.

Limited assurance reviews

19. There were a few areas where improvements in compliance with controls were needed with a total of four audits being designated as limited assurance as set out in the table below:

Service Area	Audit	Reported to APC
Children's	Engaging Support Workers	Sep-2020
Environment	Highways Deposits & Refunds	Sep-2020
Finance	Housing Management Service Charges (debt management element).	Sep-2020
Resources	Cyber Security	Sep-2020

The findings from these audits are summarised in Appendix 3 of this report and the full internal audit reports are also provided as separate appendices (Appendices 5 to 8).

Consultation

The Director of Audit, Fraud, Risk and Insurance is required to provide an annual report and opinion on the Council's system of internal control under the Public Sector Internal Audit Standards. To enable this, an annual Internal Audit Plan covering the Council's key risks is devised in consultation with the Strategic Leadership Team and the work performed through this plan forms the basis of the annual opinion.

Legal Implications

Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:

- 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.

Regulation 5 requires the Council to ensure that it undertakes 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.

There are no particular legal implications arising from this report.

Implications verified by Janette Mullins Chief Solicitor (litigation), tel: 020 8753 2744

Financial Implications

The Internal Audit Plan is delivered within the revenue budget for the service. Actions required as a result of audit work, and any associated costs, are the responsibility of the service managers and directors responsible for the areas which are reviewed.

The proposals contained in this paper have no additional resource implications for the audit service.

Implications completed by Andre Mark, Finance Business Partner, 020 8753 6729 and verified by Emily Hill, Director of Finance, 0208 753 3145.

Risk Management

The Internal Audit Plan is developed and delivered to cover the key risks faced by the Council, to provide assurance on the key controls in operation and the effective management of key risks.

Implications verified by Michael Sloniowski, Risk Manager, telephone 020 8753 2587

List of Appendices:

- Appendix 1 A summary of audits completed in 2019/20 with assurance opinions
- Appendix 2 A summary of changes to the agreed 2019/20 audit plan
- Appendix 3 Limited Assurance reports issued since the previous meeting
- Appendix 4 A summary of the Internal Audit Service performance indicators
- Appendix 5 Final Report – Engaging Support Workers Through Agencies
- Appendix 6 Final Report – Highways Deposits and Refunds
- Appendix 7 Final Report – Housing Service Charges
- Appendix 8 Final Report – Cyber Security

Audits completed in 2019/20 with assurance opinions

Department	Audit	Audit Opinion				Issued	Reported to Cttee
		Nil	Limited	Satisfactory	Substantial		
FINAL REPORTS ISSUED							
Children's	St Thomas of Canterbury School					31/01/2020	Sep-2020
	All Saints School					08/06/2020	Sep-2020
	James Lee Nursery					18/06/2020	Sep-2020
	Supporting People Claims (ongoing in year)					quarterly	Sep-2020
	Engaging Support Workers					03/08/2008	Sep-2020
Economy	Corporate Gas Safety					13/02/2019	Sep-2019
	Major Works S20 Notices					25/06/2020	Sep-2020
	Temporary Accommodation					09/07/2020	Sep-2020
Environment	Cemeteries & Bereavement Service					13/08/2019	Sep-2019
	Council Tax					13/01/2020	Sep-2020
	NNDR					13/01/2020	Sep-2020
	Housing Benefit					18/02/2020	Sep-2020
	Highways Deposits & Refunds					01/09/2020	Sep-2020
Finance	Housing Rents					24/07/2019	Sep-2019
	Savings Management					17/09/2019	Dec-2019
	Capital Programme					28/01/2020	Dec-2019
	Budgetary Control					13/02/2020	Sep-2020
	Bank Reconciliation					01/06/2020	Sep-2020
	Housing Management Service Charges			SAP & Debt operations		06/04/2020	Sep-2020
	Ruthlessly Financially Efficient					On-going	Dec-2019
Resources	BT Agilisys Contract Monitoring					30/07/2020	Sep-2019
	Coroner Service					06/08/2020	Sep-2019
	Cyber Security					17/07/2020	Sep-2020
	Induction Process					13/07/2020	Sep-2020

Department	Audit	Audit Opinion				Issued	Reported to Cttee
		Nil	Limited	Satisfactory	Substantial		
Social Care	Client Affairs					18/06/2020	Sep-2020
	CLCH Contract Monitoring					12/05/2020	Sep-2020

Audits in Progress		Status
Children's	Shared Services Costs	Draft report issued July 2020 – Co-ordinated response required from LBHF and RBKC/WCC

Audit work requested by departments (carried out as advisory reviews, where no assurance rating was provided)

Department	Audit	Issued	Committee
Children's	Queensmill School	09/03/2020	Dec-2019
	Schools Thematic Reviews	n/a	Sep-2020
Economy	Corporate Facilities Management	30/06/2020	Sep-2020
Environment	Parks and Sports Facilities Bookings	05/09/2019	Dec-2019
	Advertising Hoarding Income – Bentworth Park	13/02/2020	Dec-2019
Finance	Corporate PMO Assurance	10/03/2020	Mar-2019
	Role of Chief Financial Officer	10/04/2019	Sep-2019
	Role of S151 Officer	25/10/2020	Dec-2019
	Commissioning (DRAFT)	25/03/2020	Sep-2020
Social Care	Community MH Team	06/07/2020	Sep-2020
	Deprivation of Liberty Standards	09/06/2020	Sep2020
	Nazareth House	18/12/2019	Sep-2020

Changes to the 2019/20 Internal Audit Plan

Audits added to the 2019/20 audit plan are included in the table in Appendix 1. The table below shows any audits removed from the 2019/20 plan, following discussions with management, or deferred to a future year.

Department	Auditable Area	Reason Audit not Undertaken
Children's	Family Support Services	No longer required following external reviews
Economy	Housing Repairs (DLO and new Contracts)	Too soon to evaluate the relatively new processes and contract performance. To consider in 2020/21.
	Housing Capital Works Procurement	Changes in Service need to consider for a future year.
	Geometra	To link to the H&S audits which have been deferred to 2020/21
	Housing Health & Safety Compliance Checks	Delayed to 2020/21 as new contracts being procured.
Environment	Waste Contract Procurement	Not appropriate timing for a review of the procurement process.
Finance	Statutory Reporting	Meeting in Sept 2019 with expectation of further engagement but not forthcoming. To consider whether IA to be added to 2020/21 IA plan.
Resources	People & Talent – Pensions Administration – Monitoring of Provision	Audit commenced, delays in obtaining information from the monitoring team. Subsequently, a review of the Administration provision instigated by LBHF to consider and review service provided. Director for Internal Audit, Fraud, Risk Management & Insurance is involved in this service review.
	People & Talent – Establishment Control	Agreed to concentrate on RFE in year 1. Pick this audit up in 2020/21 to consider a cross cutting audit. Managers now maintain the structure. This should tie up to the agreed structure for the service and also with the budget.
	IT – Governance, Application Process	Originally an advisory followed by an assurance audit planned. Now an assurance only audit planned for 2020/21
	IT – Resilience & Service Continuity	Agreed to defer to 2020/21 due to timing of the review.
	IT – Access Management	Originally an advisory followed by an assurance audit planned. Now an assurance only audit planned for 2020/21
	IT – Asset Management	Originally an advisory followed by an assurance audit planned. Now an assurance only audit planned for 2020/21
Social Care	Safeguarding	Peer review undertaken in June 2019 and no additional benefit from an internal audit.
Social Care	Management Information (previously protecting residents' data)	Discussions around scope and potentially moving to be a review of Mosaic but not progressed. Consider inclusion in a future year depending on risk.
Social Care	Public Health Outcomes (was PH Grant)	Change of process and timing not appropriate. Swapped for the review of CLCH Contract Monitoring review.

Summary of Limited and Nil Assurance Reports since last meeting

APPENDIX 3

Audit and Scope	Details	Rating
<p>Children’s Services Engaging Support Workers</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Commissioning of support workers • Supervision and performance management. 	<p>Support Workers are social care professionals who provide assistance and guidance to children and families in need. The duties of a Support Worker may vary based on the setting. The Workers are required to work alongside Social Workers to plan and provide the support a client needs, such as helping them improve their home management or parenting skills and providing emotional support. The Support Worker role may also include:</p> <ul style="list-style-type: none"> • Supporting people with social and physical activities; • Booking assistance or transporting people to appointments; • Helping with personal care such as support with showering and dressing; • Supporting people with eating and drinking; • Monitoring individuals’ conditions and possibly helping with medication. <p>There is a small team of in-house Support Workers supplemented as needed through employment agencies and care providers. Commissioning of Support Workers is undertaken by the Council’s Commissioning team.</p> <p>Two high and three medium recommendations were raised as follows:</p> <ol style="list-style-type: none"> 1) Agencies used to deliver personal care to children should be registered with CQC. The Council should obtain assurance from their provider that the agencies used by the Council are compliant with this requirement prior to Support Workers starting work. Management should ensure that the sourcing of support workers is consistent across departments by ensuring that referral forms are completed properly and correctly by including sufficient details of the requirements of the support workers. 2) Management should implement a formal process for Social Workers to monitor and review the performance of Support Workers. Where issues are identified, appropriate action should be taken and used to determine whether the Support Worker should continue to be used in the current role and in future allocations. 3) Where a Support Worker is required, Social Workers should ensure that a referral form is completed and approved by their manager. Support workers should not be sourced unless a form has been completed. Where a referral is made via email, the approved referral form should be attached to the email. Approved referral forms should be retained. 4) Briefings with the Support Workers should always be requested and held prior to the Support Worker commencing their role with the client. Briefings should be recorded for future reference. Where a briefing is not required, then the reasons should be clearly recorded. 5) A process map should be developed for all Council departments who are involved in offering Child and Family Care Services involving support workers. The process map should include, but not limited to, the following: <ul style="list-style-type: none"> • Instructions on how organise a care package involving support workers; and • The roles and responsibilities of all individuals involved in the care of the client including the Support Worker. <p>Consideration should also be given to how cases where both children and adults are receiving support can be coordinated between Children’s Services and Social Care.</p>	<p>Limited Assurance</p>
<p>Management Update: The recommendations have been agreed and the audit was considered helpful and the service has identified a number of practice improvements which management are aiming to implement by the end of September 2020.</p>		

Audit and Scope	Details	Rating
<p>Highways Deposits & Refunds</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Policies and procedures • Rechargeable works, final accounts and refunds • Separation of duties <p><i>Note: This review was requested by the Strategic Director</i></p>	<p>Rechargeable street works are undertaken, and the cost of the works recharged back to a liable third party. This is done so that individuals requiring the work to be undertaken do not undertake the work themselves as there is the potential for the end result to not meet required safety and aesthetic standards. The majority of works undertaken by the Council are based on applications made for works such as vehicle crossovers (dropped curbs); enabling works that allow the temporary relocation of entrances, bus stop and loading sites; trench works completed for utility companies; as well as other ad-hoc private rechargeable works. In addition to this, there are also enforcement works undertaken as a result of proactive inspections that identify areas where works are needed to be undertaken.</p> <p>An estimate is prepared prior to commencement of work and the developer is required to pay the Council the value of the estimate before the work commences. Once works are completed a final account is prepared and either:</p> <ul style="list-style-type: none"> • The developer is sent an invoice if the final account is greater than the estimate; or, • The Council refunds the developer the difference if the final account is less than the estimate. <p>Two high and two medium recommendations were raised as follows:</p> <ol style="list-style-type: none"> 1) The Private Works Team and Finance Team should undertake action to clear the long outstanding jobs and ensure that the clients are either invoiced or refunded. The agreed timetable to clear the backlog should be monitored against on a regular basis to ensure that the required actions are being completed and clients invoiced/refunded. Going forward, management should ensure that once final accounts have been prepared, that an invoice or refund is issued promptly. 2) The Finance Team should undertake further verification of the bank details provided prior to issuing a refund, to confirm they are legitimate. Alternatively: <ul style="list-style-type: none"> • A separate officer should check the bank details applied to each refund, either before or after it has been sent for payment; or • The Finance Team should contact the client to notify them of where the refund has been paid into thus confirming that it is the correct account. <p>The above process should be included in the procedure notes and compliance with this requirement should be monitored.</p> 3) Procedure notes should be regularly reviewed to ensure they reflect current practice. In addition, these should be available to staff with guidance on the process for completing tasks. 4) Refunds should be issued based on the final account, but where there are amendments to be made, these should be returned for revision and approval should be obtained from Senior Finance Officer before refunds are processed, where appropriate. Refunds should be processed in a timely manner following completion of the final account. Performance against target for the processing of refunds should be monitored and reported on. Action should be taken where performance is below target. 5) Management should agree an appropriate cause of action where clients do not provide confirmation of their bank details following repeated requests. This could be by making the account dormant after a defined period until the client makes contact with the Council. Guidance on this should be included within the procedure notes and compliance on adhering to the guidance should be monitored. 	<p>Limited Assurance</p>
<p>Management Update: The recommendations have been agreed and actions are already in progress to address them with the backlog of outstanding jobs expected to be cleared by March 2021.</p>		

Audit and Scope	Details	Rating
<p>Housing Management Service Charges – Debt Aspect Only</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Policies & Procedures • Identification of Leaseholders • Identification & allocation of attributable costs • Estimates & Invoicing • Collection • Debt Management 	<p>Service charges are levied to recover the costs incurred in providing services to a building. The way in which the service charge is organised is set out in the leaseholder's lease. The charge normally covers the cost of such matters as general maintenance and repairs, insurance of the building and, where the services are provided, lifts, lighting cleaning of common areas etc. The Council calculates the service charges as a percentage, as set out in the lease. There are two types of charges made by the Council to leaseholders. These are the annual service charge, which covers services delivered by the Council to a building or estate, and major works bills, which are for significant periodic works done to buildings. Major works were not reviewed as part of this audit with a separate audit of major works undertaken.</p> <p>The service charge estimated invoices for the financial year ahead are sent out in March each year. The actual charges (where the actual costs incurred are adjusted after being calculated) are sent in September after the end of the financial year. A detailed breakdown of how the charges are allocated is included within the invoices.</p> <p>Controls were found to be effective in the areas of identification of leaseholders, identification and allocation of attributable costs, and invoicing of estimated and actual service charge costs. However significant weaknesses were noted with regards to the identification of outstanding service charges and debt management. These weaknesses were in the main due to the implementation of SAP and is a corporate issue. As such a Limited Assurance opinion has been provided for controls relating to debt management.</p> <p>Management were aware of operational issues with SAP in relation to payments not always posting to customer accounts, aged debt reports not distinguishing between major works and service charges debt, and the dunning service on SAP being deactivated. The situation has since improved with receipt of payment being allocated to the correct account, separation of debts between major works and service charges and plans to reactivate the dunning service.</p> <p>One high priority recommendation was made as follows:</p> <ol style="list-style-type: none"> 1) Management should liaise with the service provider, SAP, to resolve the functionality issues, preventing service charge debt from being automatically pursued via the 'Dunning' service. Once resolved, debt recovery procedures should be developed and include the timescales for sending out reminder letters. A plan of action to pursue outstanding service charge debts should also be developed. 	<p>Limited Assurance</p>
<p>Management Update:</p> <p>The team have a number of workarounds in place to pursue arrears, service charge debts are distinguishable. Following the Covid-19 outbreak a corporate decision has been taken to put on hold dunning debt recovery letters issued from SAP GUI. Once this restriction is lifted dunning will be switched back on. The longer-term plan to resolve the functionality issues is to move service charge recovery out of SAP GUI and into the Integrated Housing Management system – Northgate. A project team has been set up to implement this change and it is hoped to have progressed this by December 2020.</p>		

Audit and Scope	Details	Rating
<p>Cyber Security</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Governance • Culture, awareness & user education • Secure configuration • Network security • Identify & Access management • Malware prevention • Incident management • Removable media 	<p>The 2015 National Security Strategy confirmed that cyber remains a Tier 1 threat to the UK's economic and national security and there is a recognition that cyber-attacks are becoming more frequent and of greater sophistication. At the same time Government Departments have plans to dramatically increase the services that will be provided digitally. Users expect digital services to be user friendly and quick but also secure.</p> <p>This review was based on the National Cyber Security Centre (NCSC)'s "10 steps to security" framework. It will also form an opinion on the current level of compliance against the Cyber Essentials framework that the Council is working towards.</p> <p>Two high and three medium recommendations were raised as follows:</p> <ol style="list-style-type: none"> 1) Management should liaise with BT to amend the content of the patch reports to focus on actionable information (e.g. list of patches including their criticality that have not been installed) and, then, review them on a monthly basis. In addition, management should ensure updates are applied to all software installations, including non-Microsoft applications, on a regular basis. 2) A backup policy should be defined and implemented across all systems and the Council should receive formal assurance that the backups are regularly tested (at least annually) through formal restoration tests and the results are followed-up. In addition, the Service Continuity Plan should be tested at least annually or after each major infrastructure change. The results of the test should be documented, and any lessons learned should be captured for updates to the plan, thus introducing a mechanism of improvement of the process. 3) Within cyber security, risk management reporting lines and roles have not been clearly designated, neither in the Risk Management Strategy or another document. It has been recommended that the reporting lines should be formalised in the Risk Management Strategy, a terms of reference should be formalised for the Cyber Security meetings and the IT Security Manager's job description should be updated to include responsibility for cyber security. 4) Management should consider implementing a pro-active process to review the network logs to identify possible security threats and incidents. 5) The User Access Management policy should be reviewed and approved by Management to clarify and improve the link between HR and IT. The process should ensure leavers are pro-actively recorded in the online tool in order to allow IT to act upon accordingly. In addition, management should consider amending the process so that the notifications about new joiners/leavers/movers are issued by HR as it is often more efficient and reliable than line managers. If it is no longer required, the generic administrator account should be disabled. 	<p>Limited Assurance</p>
<p>Management Update:</p> <p>The recommendations have been agreed with 50% of the high and medium recommendations already implemented, and others in progress. All recommendations are expected to be implemented by December 2020.</p>		

Internal Audit Performance Indicators

Internal audit performance is summarised below against a range of performance indicators:

Performance Indicators	Target	Actual	Comments
Delivery			
Percentage of audit jobs completed by 31 March 2020*	90%	90%	
Percentage of draft reports issued within 10 working days of fieldwork being completed*	90%	90%	
Percentage of audits finalised within 5 days of a satisfactory response	95%	95%	
Quality			
External audit conclude they can place reliance on Internal Audit work (annual)	Yes	Yes	Liaison with external auditors to provide evidence of internal audit work.
Percentage of recommendations implemented or in progress by management	95%	96%	94% implemented and 2% in progress (high & medium priority)

*final sign-off and issue of draft reports was slightly delayed by Covid19 and pragmatic decisions made on concluding some audits where a small amount of information was still required but not deemed to be significant in terms of the scope of the audit.

London Borough of Hammersmith and Fulham

Final Internal Audit Report

Engaging Support Workers through Agencies and
Care Providers

August 2020



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1 Introduction

As part of the internal audit plan for 2018/19, agreed by the Audit Pensions and Standards Committee, we have undertaken an internal audit of the Engagement of Support Workers through Agencies and Care Providers.

Support Workers are social care professionals who provide assistance and guidance to children and families in need. The duties of a Support Worker may vary based on the setting. The Workers are required to work alongside Social Workers to plan and provide the support a client needs, such as helping them improve their home management or parenting skills and providing emotional support.

The Support Worker role may also include:

- Supporting people with social and physical activities;
- Booking assistance or transporting people to appointments;
- Helping with personal care such as support with showering and dressing;
- Supporting people with eating and drinking;
- Monitoring individuals' conditions and possibly helping with medication.

Within the London Borough of Hammersmith and Fulham there is a small team of in-house Support Workers supplemented as needed through employment agencies and care providers. Commissioning of Support Workers is undertaken by the Council's Commissioning team.

2 Executive Summary

2.1 Assurance Opinion

	Nil	Limited	Satisfactory	Substantial
Audit Opinion				

2.2 Recommendations Summary

The following table highlights the number and categories of recommendations made.

Area of Scope	Adequacy	Effectiveness	Recommendations Raised		
			High	Medium	Low
Commissioning of Support Workers			1	2	0
Supervision and Performance Management			1	1	0
Total			2	3	0

Please refer to Appendix 1 for recommendations raised and Appendix 2 for a definition of the audit opinions and recommendation priorities.

3 Summary of Findings

In Internal Audit's opinion, **Limited Assurance** can be given to Members, the Chief Executive and other officers that the controls relied upon at the time of the audit were suitably designed, consistently applied and effective in their application.

We were unable to provide assurance in some of the areas due to us being unable to undertake any sample testing on case management due to the unavailability of officers to assist with our testing.

Subsequent to the fieldwork, no further testing was undertaken on Mosaic due to the Covid19 situation.

The key findings and an assessment of controls are summarised below:

Application of and compliance with controls to address the key risks identified:

Commissioning of Support Workers

- When a Support Worker is required, the Social Worker is required to complete a referral form detailing the support requirements for the client and any specific experience/qualifications of the Support Worker. The completed referral form must be approved by their manager prior to being submitted to the agency. For a sample of 20 cases where a Support Worker was required, the following was identified:
 - In 13 cases, a referral form was completed by a Social Worker and approved by their manager;
 - In four cases, the referral was made via email and a form was not completed. There was also no evidence of manager approval for these email referrals;
 - In three cases, there was no evidence of a referral form having been completed.
- As part of the referral form, the Social Worker identifies the type of briefing required for the Support Worker. For simple tasks, a briefing is not always required or a telephone briefing is undertaken. For more complex tasks, a face to face briefing may be required or a telephone briefing at the very least. For the 13 cases where a referral form was completed, in ten cases a briefing was requested and in three cases, a briefing was not requested. Where a briefing was requested, we were unable to confirm whether or not this briefing took place due to us not having access to Mosaic which is where this should be recorded.
- The recruitment agency used by the Council is Pertemps, for which there is a neutral vend contract in place. Pertemps are the managed service provider which means that the process is managed by Pertemps but filled by a number of agencies.
- Prior to an agency being used by Pertemps to source Support Workers, compliance checks are completed. Pertemps request an information form from the supplier which details their company information. Pertemps complete compliance checks to ensure the supplier meets the required levels detailed in their contract, for example, credit checks and insurance levels (Public liability, professional indemnity, employer's liability). Where the requirements are met, Pertemps issue a supplier agreement which must be signed and returned. These supplier agreements would be held with Pertemps and therefore we did not undertake any testing in this area.
- Agencies engaged to deliver personal care to disabled children should be registered with CQC. For the sample of 20 cases tested, in four cases we were able to confirm that the agency from which the Support Worker was provided was Carefirst as in these four cases the referral was made via email and the response to the email was from Carefirst. In one of these four cases, the request was for the provision of personal care. In the remaining 16 cases, we were unable to confirm the agency the Support worker was sourced from due to us not having

access to Mosaic or Council officers. We were informed that the majority of Support Workers are provided by Carefirst and that Carefirst is not registered with CQC.

- Through discussion with the Service Development Officer we confirmed that each Support Worker is required to complete a basic level of training which is provided by the agency. Records of this training would be retained by the agency. For lower risk tasks, such as looking after children for a few hours or providing parenting support, Support Workers that are referred from Pertemps will be trained by a nurse or a qualified/experienced person. This training is provided for the Support Worker by the Council. For high risk tasks, such as supporting disabled/high needs children, then a support worker/nurse could be sourced from outside of the Pertemps contract to ensure that an appropriate carer can be provided. This could include additional requirements, such as, an appropriately qualified carer to undertake the duties and insurance cover which the provider is required to have.
- For each referral requested by the Social Worker, Pertemps will identify an appropriate Support Worker with the required qualifications/experience to meet the role's requirements. We were unable to undertake any testing in this area due to having no access to Mosaic, or officers to interrogate Mosaic on our behalf. Discussions with the Head of Service, Family Support and Child Protection (FSCP) and Service Manager Short Breaks indicated that the sourcing of Support Workers is not consistent across departments and that on some occasions the Support Workers have not been fully able to fulfil the duties required of them.
- The Pertemps Agency Workforce System (PAWS) is used to process orders for Support Workers. The request is reviewed by the PAWS support team to ensure that there is an authorised rationale for the requirement of a Support Worker. The order is then confirmed and released to the appropriate agencies. CVs of potential candidates are submitted on the PAWS system for the hiring manager to review. The hiring manager has the option to reject, request more information or organise interviews via the PAWS system.
- Once a candidate has been offered a placement, Pertemps will complete compliance checks and this is recorded on a checklist and sent to the hiring manager. Pertemps will request for all documentation to be uploaded onto the PAWS system to review and complete the checks prior to the candidate's start date. Where all documentation has not been uploaded prior to the start date, Pertemps will contact the hiring manager regarding options, such as a waiver or delay in start date. We were unable to undertake any testing in this area due to us not having no access to Mosaic or officers.

Supervision and Performance Management

- Once a Support Worker has been allocated to a client, it is the responsibility of the requesting Social Worker to monitor and review the performance of the Support Worker to confirm that they are undertaking the work required of them in an appropriate manner. However, there is no formal monitoring or review process in place and therefore there is limited assurance that the performance of a Support Worker is being monitored or reviewed.
- In order to manage allegations against professionals, the Council appoints a Local Authority Designated Officer (LADO). The LADO works within Children's Services and should be alerted to all cases in which it is alleged that a person who works with children has behaved in a way that has harmed or may have harmed a child; possibly committed a criminal offence against children, or related to a child; or behaves towards a child in a way that indicates they may pose a risk to children. Discussions with the Service Development Officer and the Commissioning Manager indicated that where concerns are raised by the client or their family in relation to the conduct of a Support Worker, then the Support Worker will be temporarily suspended and the case will be investigated. In more serious cases, where harm to a child is reported, a Section 47 assessment will be undertaken by the Local Authority. This was confirmed for one such case which was investigated in September 2018.
- Support Workers, provided by the agency, and Social Workers (Council officers) work together to deliver care packages. Where multiple Support Workers are required this may include organising timetables for when Support Workers are required to attend their clients to provide

the support. Support Workers complete timesheets which are signed by the client/family and then sent to both the agency and to the Council's Social Development Officer to confirm that the Support Worker attended the job and also to confirm that they were there for the required number of hours. On some occasions, the Support Worker will be requested to undertake unannounced visits to the client/family. In these instances, the timesheets would not be signed as the client/family may have refused to do so.

- The Head of Service FSCP and Service Manager Short Breaks stated that Care Packages are organised using the Mosaic System and that care packages over £500 should be approved by the Head of Department. Due to lack of cohesion between departments to provide this type of care which leads to departments operating differently, it is often difficult to manage cases and to monitor them. This may then lead to multiple Support Workers/carers attending the client/family at the same time.

4 Acknowledgement

We would like to thank the following members of staff for their time and assistance during the audit:

- Hakeem Adelakun – Commissioning Service Development Officer
- John Mythen – Commissioning Manager for LAC and Placements
- Anna Keegan – Head of Service, Family Support and Child Protection (FSCP)
- Becky Powell – Service Manager Short Breaks

Appendix 1: Management Action Plan

1. Referral Forms

Priority	Issue	Risk	Recommendation
Medium	<p>Referral forms are completed by Social Workers in order to obtain a suitable Support Worker for the child. The completed referral forms are approved by their manager prior to being submitted to the agency.</p> <p>For a sample of 20 cases where a Support Worker was required, the following exceptions were noted:</p> <ul style="list-style-type: none"> In four cases, the referral was made via email and a form was not completed. There was also no evidence of manager approval for these email referrals; and In three cases, there was no evidence of a referral form having been completed. 	<p>Where referral forms for Support Workers are not completed or where there is no manager approval, there is an increased risk of unsuitable Support Workers being allocated. This could lead to potential harm to the child or the Support Worker. Accountability is also reduced where it is not clear who requested and approved the use of a Support Worker.</p>	<p>Where a Support Worker is required, Social Workers should ensure that a referral form is completed and approved by their manager. Support workers should not be sourced unless a form has been completed.</p> <p>Where a referral is made via email, the approved referral form should be attached to the email.</p> <p>Approved referral forms should be retained.</p>
Management Response			
<p>Agreed.</p> <ul style="list-style-type: none"> We have agreed that all requests for a Family Support Worker will be made by completing a referral form The referral form will be approved by the manager. All referrals made by email will have the approved referral form attached. Work has begun to design a new standard referral form to use for agencies which identifies all the key information needed and includes appropriate sign off arrangements All referral forms will be upload to the child's case record. 			
Responsible Officer			Deadline
<p>Mandy Lawson – Assistant Director of Special Educational Needs Bev Sharpe – Assistant Director Family Services</p>			<p>1st September 2020</p>

2. Briefings for the Support Worker

Priority	Issue	Risk	Recommendation
Medium	As part of the referral form, the Social Worker identifies the type of briefing required for the Support Worker. For simple tasks, a briefing is not always required, or a telephone briefing is undertaken. For more complex tasks, a face to face briefing may be required or a telephone briefing at the very least. For the 13 cases, in ten cases a briefing was requested, but we were unable to confirm if a briefing took place. Ideally, briefings should be requested and held for all Support Workers and recorded.	Where Social Workers do not request or hold briefings with Support Workers, there is an increased risk of the Support Worker having insufficient information of the role they have been asked to undertake or any specific issues they need to be aware of.	Briefings with the Support Workers should always be requested and held prior to the Support Worker commencing their role with the client. Briefings should be recorded for future reference. Where a briefing is not required, then the reasons should be clearly recorded.
Management Response			
<p>Agreed.</p> <ul style="list-style-type: none"> Referrals to agency suppliers are made through the Pertemps system and the communication usually takes place with the agency supplier. Pertemps will ensure compliance with DBS checks and provide CV's of potential Family Support Workers to confirm experience. The referral form should be sufficiently detailed to clearly identify the work required. The new referral form will form the basis of the briefing conversation with the agency worker/ manager. Briefings between the social worker making the request and the support worker are helpful for assignments that maybe longer term, for short term emergency assignments this may not be practicable. The briefing conversation notes will be added to the child's record It is agreed that if briefings are not required that the reasons for this will be noted on the file. This requirement will be circulated to all staff with the new procedure document and a one -minute guide and will be added to the agenda for discussion in team meetings to ensure all staff are aware of the agreed process. 			
Responsible Officer			Deadline
Mandy Lawson – Assistant Director of Special Educational Needs Bev Sharpe – Assistant Director Family Services			1 st September 2020

3. Sourcing of Support Workers

Priority	Issue	Risk	Recommendation
High	<p>Agencies engaged to deliver personal care to disabled children should be registered with CQC. For the sample of 20 cases tested, in four cases we were able to confirm that the agency from which the Support worker was provided was Carefirst as in these four cases the referral was made via email and the response to the email was from Carefirst. In one of these cases, the request was for the provision of personal care.</p> <p>We were informed that the majority of Support Workers are provided by Carefirst and Carefirst is not registered with CQC.</p> <p>For each referral requested by the Social Worker, Pertemps will identify an appropriate Support Worker with the required qualifications/experience to meet the role requirements. The Head of Service FSCP and Service Manager Short Breaks advised that the sourcing of Support Workers is not consistent across departments and that on some occasions the Support Workers had not been fully able to fulfil the duties required of them. The issues mainly originated from the identification of the need to the completion of referral forms where requirements would be detailed.</p>	<p>Where the agencies used to deliver personal care are not registered with CQC, there is an increased risk of inappropriate Support Workers being employed leading to reputational damage to the Council.</p> <p>Where the sourcing of Support Workers is not consistent across all departments, there is an increased risk of employing Support Workers who are not able to fulfil the duties required of them.</p>	<p>Agencies used to deliver personal care to children should be registered with CQC.</p> <p>The Council should obtain assurance from Pertemps to confirm that the agencies used are compliant with this requirement prior to Support Workers starting work.</p> <p>Management should ensure that the sourcing of support workers is consistent across departments by ensuring that referral forms are completed properly and correctly by including sufficient details of the requirements of the support workers.</p>

Management Response

Agreed.

- The Special Educational Needs and Disability Service (SEND) has committed to not place any new children with personal care needs with unregistered agencies
- The SEND service has reviewed the few existing arrangements where unregistered agencies are engaged to ensure that there are no personal care needs performed and where that is a need, alternative arrangements have been put into place.
- Agency staff for short breaks packages are not arranged via Pertemps as Pertemps is a route to employ a named staff for a specific role, and for short breaks we require the agency to be responsible for delivering hours of support, which includes alternative cover if the usual worker is absent. We will use the new referral form being developed and briefing discussions to agree the expectations of agency staff whilst delivering support and agree supervision and review arrangements for each package of support purchased from an agency.
- We are in the process of registering our in-house community support service, so we anticipate reduced use of agency in the future
- We have agreed a consistent approach for the sourcing of support workers , with detailed referrals that clearly outline the service required.

Responsible Officer

Deadline

Mandy Lawson – Assistant Director of Special Educational Needs
Bev Sharpe – Assistant Director Family Services

1st September 2020

4. Monitoring Support Workers

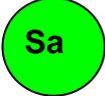
Priority	Issue	Risk	Recommendation
High	Once a Support Worker has been allocated to a client, it is the responsibility of the requesting Social Worker to monitor and review the performance of the Support Worker to confirm that they are undertaking the work required of them in an appropriate manner. However, there is no formal monitoring or review process in place and therefore there is reduced assurance that the performance of Support Workers is being monitored or reviewed.	Where there is no formal process in place to monitor and review the performance of Support Workers, there is an increased risk of poor performance or inappropriate practice issues not being identified and addressed.	Management should implement a formal process for monitoring and reviewing the performance of Support Workers. Social Workers should monitor and review the performance of all Support Workers they have allocated. Where issues are identified, appropriate action should be taken and used to determine whether the Support Worker should continue to be used in the current role and in future allocations.
Management Response			
<p>Agreed.</p> <ul style="list-style-type: none"> The briefing discussion will set expectations and standards for the support provided by each agency as well as agree arrangements for supervision and review of the support. Any agency involved with a child and family will be asked to input to the child's assessment and regular reviews. Following briefing discussions, any issues or concerns will be addressed. Social workers will be in regular communication with support workers to establish the impact of the support workers intervention with a family, Family Support Workers must provide information to the social worker about any new risks or concerns that are identified during the assignment. If there are concerns about a Family Support Workers performance or ability to meet the agreed requirements of the assignment these should be discussed with the social workers line manager ,and a decision made about whether to continue with that worker having addressed the issues , or to end the assignment. 			
Responsible Officer			Deadline
Mandy Lawson – Assistant Director of Special Educational Needs Bev Sharpe – Assistant Director Family Services			1 st September 2020

5. Coordination of Care Packages

Priority	Issue	Risk	Recommendation
Medium	Care Packages are organised through the Mosaic System and can involve a number of different Child and Family Care Services, including Support Workers. We were advised that, due to a lack of cohesion between departments and Support Workers to provide this type of care, it is often difficult to manage cases and to monitor them. This may then lead to multiple Support Workers/carers attending the client/family at the same time or a lack of continuity and cohesion in the way support is provided and managed.	Where there is lack of cohesion between services and where the work of Support Workers is not coordinated with other services involved in the care and support of clients, there is an increased risk of an inappropriate care package being organised which may not effectively meet the needs of the client.	<p>A process map should be developed for all Council departments who are involved in offering Child and Family Care Services involving support workers. The process map should include, but not limited to, the following:</p> <ul style="list-style-type: none"> • Instructions on how organise a care package involving support workers; and • The roles and responsibilities of all individuals involved in the care of the client including the Support Worker. <p>Consideration should also be given to how cases where both children and adults are receiving support can be coordinated between Children's Services and Social Care.</p>
Management Response			
<p>Agreed.</p> <ul style="list-style-type: none"> • A process map and guide will be created and shared with council staff to ensure they are clear about the process required to appoint and review agency workers as well as requirement for CQC registered providers when regulated activities are required • Where there is input from different departments in the council the guide will be clear about the expectations for sharing information and working together 			
Responsible Officer			Deadline
Mandy Lawson – Assistant Director of Special Educational Needs Bev Sharpe – Assistant Director Family Services			1 st September 2020

Appendix 2: Definition of Assurance Opinions and Recommendation Priorities

In order to help put the audit opinion and recommendation priority ratings in context the following tables detail the current ratings used by Internal Audit.

Rating	Description
 Su	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and no material errors or weaknesses were found.
 Sa	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
 L	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
 N	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Priority	Description
High	Recommendation addresses fundamental weaknesses, which seriously compromise the effective accomplishment of the system's objectives. Risks presented by the control weaknesses could be damaging in the short term. The management action required should be implemented as soon as possible, certainly within 0-3 months.
Medium	Recommendation addresses serious weakness, which affect the reliance to be placed on the system. Risks presented by control weaknesses could be damaging in the medium term. Management action is required within 0-6 months.
Low	Recommendation addresses minor weaknesses, or suggests a desirable improvement. Risks presented by control weaknesses are unlikely and inconsequential. Management action is recommended to address concerns within 0-9 months.

Appendix 3: Audit Scope, Limitations & Inherent Risks

This audit was a full risk based review of the arrangements for engaging support workers through agencies and care providers and included the following areas:

Ref	Audit Area – Description	Comments on Coverage / Area Objectives
01	Commissioning of Support Workers	<p>Organisations that the Council uses for sourcing Support Workers have sufficiently rigorous controls over vetting candidates.</p> <p>Agencies engaged to deliver personal care to disabled children are registered with CQC.</p> <p>For each appointment of a Support Worker, the Council is assured that the individual has any particular vetting, qualifications, training and experience required for that engagement.</p> <p>Where the work of a Support Worker is unsatisfactory this is taken into consideration if they are put forward for another role in the future.</p>
02	Supervision and Performance Management	<p>Responsibility for overseeing agency Support Workers (whether this by the provider or the Council) is clearly defined.</p> <p>Support Workers are adequately briefed on what they are required to do and the performance of agency Support Workers is monitored to confirm they are undertaking the work required of them in an appropriate manner.</p> <p>Where the work of a Support Worker forms part of a wider package of care and support, this is well coordinated.</p>

The internal audit approach was developed through an assessment of risks and management controls operating within the agreed scope.

The following procedures were adopted:

- Identification of the role and objectives of each area;
- Identification of risks within each area which threaten the achievement of objectives;
- Identification of controls in existence within each area to manage the risks identified;
- Assessment of the adequacy of controls in existence to manage the risks and identification of additional proposed controls where appropriate; and
- Testing of the effectiveness of key controls in existence within each area.

Management should be aware that our internal audit work was performed in accordance with the Public Sector Internal; Audit Standards which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

Similarly, the assurance grading provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Our internal audit testing was performed on a judgemental sample basis and focussed on the key controls mitigating risks. Internal audit testing is designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Please note that, in relation to the agreed scope, whilst our internal audit will assess the efficiency and effectiveness of key controls from an operational perspective, it is not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.

Limitations to the Scope of the Audit

The following limitations to the scope of the audit were agreed when planning the audit:

- The work will be undertaken using a risk based approach and testing will be on a sample basis to verify compliance;
- The records maintained by third parties to the Council (such as agencies and care providers) will not be reviewed and are outside of the scope of this audit;
- This work will focus on support workers provided for Children's Services and not Adults.
- This audit work will not investigate or provide an opinion on the performance of individual support workers; and
- The audit review does not provide absolute assurance that material error, loss or fraud does not exist.

Inherent Risks

The risks listed below are **potential** inherent risks which are common for any organisation of this type:

- Support Workers are appointed who have not been vetted, posing a risk of harm to service users.
- Support Workers are insufficiently skilled or experienced for the role they have been asked to undertake
- Support Workers are not subject to a sufficient level of supervision leading to poor performance or inappropriate practice issues not being identified and addressed.
- The work of Support Workers is not coordinated with other individuals involved in the care and support of service users.

Appendix 4: Timetable and Distribution List

Stage	Date
End of Fieldwork	20/10/2019
Draft Report Issued	14/04/2020
Responses Received	29/07/2020
Final Report Issued	03/08/2020

Audit Team
James Graham – Client Engagement Manager
Dilen Navsaria – Auditor
Auditee
Bev Sharpe – Assistant Director of Family Services
Mandy Lawson – Assistant Director of Special Educational Needs
Client Sponsor
Bev Sharpe – Assistant Director of Family Services
Mandy Lawson – Assistant Director of Special Educational Needs

Report Distribution List
Bev Sharpe – Assistant Director of Family Services
Mandy Lawson – Assistant Director of Special Educational Needs
Hakeem Adelakun – Service Development Officer

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Recommendations for improvements should be assessed by management for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

This report is prepared solely for the use of Audit Committees and senior management of the London Borough of Hammersmith and Fulham. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

London Borough of Hammersmith and Fulham
Final Internal Audit Report
Highways Deposits and Refunds – Rechargeable
Works

September 2020



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1 Introduction

As part of the 2019/20 Internal Audit Plan, agreed by the Audit and Pensions Committee, we have undertaken an internal audit of Highways Deposits and Refunds in the London Borough of Hammersmith and Fulham. This work was requested by the Strategic Director for Environment.

Rechargeable street works are undertaken by the London Borough of Hammersmith and Fulham who then recharge the cost of the works back to a liable third party. This is done so that individuals requiring this work to be undertaken do not undertake the work themselves as there is the potential for the end result to not meet required safety and aesthetic standards.

The majority of works undertaken by the Council are based on applications made for works such as vehicle crossovers (dropped curbs); enabling works that allow the temporary relocation of entrances, bus stop and loading sites; trench works completed for utility companies; as well as other ad-hoc private rechargeable works. In addition to this, there are also enforcement works undertaken as a result of proactive inspections that identify areas where works are needed to be undertaken.

An estimate is prepared prior to commencement of work and the developer is required to pay the Council the value of the estimate before the work commences. Once works are completed a final account is prepared and either:

- The developer is sent an invoice if the final account is greater than the estimate; or,
- The Council refunds the developer the difference if the final account is less than the estimate.

The total number of new jobs created and completed for the last three years are stated in the following table:

Year	Number of New Jobs Created	Value of New Jobs Deposits £	Number of Jobs Completed	Value of Completed Jobs £
2017/18	59	383,960.44	98	312,561.14
2018/19	44	131,113.65	59	52,783.35
2019/20	44	146,244.52	38	78,956.11

2 Executive Summary

2.1 Assurance Opinion

	Nil	Limited	Satisfactory	Substantial
Audit Opinion				

2.2 Recommendations Summary

The following table highlights the number and categories of recommendations made.

Area of Scope	Adequacy	Effectiveness	Recommendations Raised		
			High	Medium	Low
Policies and Procedures			0	1	0
Rechargeable Works Final Accounts and Refunds			2	1	0
Separation of duties			0	0	0
Total			2	2	0

Please refer to Appendix 1 for recommendations and Appendix 2 for a definition of the audit opinions and recommendation priorities.

3 Summary of Findings

In Internal Audit's opinion, **Limited Assurance** can be given to Members, the Chief Executive and other officers that the controls relied upon at the time of the audit were suitably designed, consistently applied and effective in their application.

The key findings and an assessment of controls are summarised below.

Policies and Procedures

- Highways procedure notes were in place however, examination found that these were last reviewed in November 2010 and therefore do not include current processes such as the review and approval process of final accounts prior to issuing an invoice or refund.

Rechargeable Works Final Accounts and Refunds

- Completion of works is monitored via the Confirm Enterprise system where all highway works are recorded. Once work is completed, a final measurement report is produced by contractors and final account is prepared.
- Final accounts are created for all private works and identify where refunds are due or where additional payment is required by the client. A total of 14 refunds were processed between April and November 2019 and testing of these cases confirmed that final accounts were prepared and retained for each refund.
- A spreadsheet is maintained of all outstanding private works detailing, amongst other items, expenditure, deposit amount paid, whether expenditure exceeds deposit and the reason for works outstanding. Each private work is RAG rated on the basis of priority for it to be invoiced/refunded.
- Review of the spreadsheet identified 210 private works outstanding for reasons such as works not completed, final accounts not prepared, issues to be resolved by Finance Team or awaiting for bank account details from client. Of these 210 private works, 138 were older than 2016/17 with the oldest being 2009/10. It was also identified that there were 62 red rated items and 97 amber rated items outstanding. There was little evidence of there being sufficient oversight and monitoring of outstanding refunds/invoices to ensure that they are being completed on a timely basis. Discussions with the Project Engineer indicated that an additional resource has been allocated to clear the backlog of outstanding refunds/invoices. A target has been set to clear 15-20 accounts per month commencing from February 2020.
- Separation of duties between final account preparation and refund processing is in place. Testing of 14 refunds confirmed that final accounts were completed by Highways Team and were handed to Senior Finance Officer for a secondary check and approval.
- Journals of refund transaction are raised by the Senior Finance Officer through Corporate Accountancy log and approved by Finance Manager.
- In order for a refund to be made, clients are required to provide the Finance Team details of their bank account into which they want the refund to be made into. Whilst Finance have details of the bank account from which the client made the initial payment for the deposit, it is possible that this may have changed when the works are completed and hence the reason for bank details to be requested for again. It was however noted that no further verification checks are completed by Finance to confirm the legitimacy of bank details provided prior to processing the refund or to ensure that the correct details have been entered when processing the refund.
- The refunds issued should agree with the approved final account and the bank details provided by clients. Of the 14 refunds tested, the following was identified:

- Nine refunds were issued. However, in one case the amount refunded did not agree to the final account. The amount refunded was £1,846.72 instead of £2,171.72 as per the final account thus resulting in a shortfall of £325. The Senior Finance Officer stated that this discrepancy was due to the final account being adjusted to account for the application fee of £325, however the final account had not been revised to reflect this; and
- Five refunds were not yet issued due to Finance still awaiting for clients to provide their bank details.
- It was established that the target timescale to process refund is 21 days from the completion of final account. However, from the 14 refunds processed in 2019/20, it was identified that 11 cases were not processed within 21 days - three of these were from 2015. The processing timescales ranged from one month to three years. We were informed that the main cause of significant delays was due to delays in receiving confirmation of clients' bank details.
- System access between Private Works Team and Finance Team are limited to their delegated roles. We were provided with the system access matrix and established that only Highways Team have access to Confirm Enterprise database whilst only Finance Team have access to Corporate Accountancy and SAP system. Information is passed from Highways to Finance team via email.

4 Acknowledgements

We would like to thank the following members of staff for their time and assistance during the audit:

- Michael Masella – Project Team Manager
- Ming Wah Suen – Senior Finance Officer (Environment)
- Nicky Moodley – Project Engineer
- Margharitta Jenczelewska – Private and Rechargeable Works Officer

Appendix 1: Management Action Plan

1. Policies and Procedures

Priority	Issue	Risk	Recommendation
Medium	The procedure notes for private works were provided by the Highways Team however, these had not been reviewed since November 2010. Furthermore, the procedure notes did not contain the review and approval process for final accounts prior to issuing an invoice or refund.	Where procedure notes are not available or up-to-date, there is a risk that staff will not comply with the requirements expected by the organisation. This could lead to reputational damage where deposits and refunds are handled incorrectly or a service user is negatively affected as a result of non-compliance.	Procedure notes should be regularly reviewed to ensure they reflect current practice. In addition, these should be available to staff with guidance on the process for completing tasks.
Management Response			
Agreed. An updated procedure is currently being prepared and will be completed by 31 st August 2020. This will be reviewed annually thereafter.			
Responsible Officer			Deadline
Michael Masella – Project Team Manager			31 st August 2020

2. Long Outstanding Job Accounts

Priority	Issue	Risk	Recommendation
High	<p>An estimate is prepared prior to commencement of work and the client is required to pay the Council the value of the estimate before the work commences. Once works are completed a final account is prepared and either an invoice is sent to the client where the final account is greater than the estimate or a refund is issued to the client for the difference where the final account is less than the estimate. A private works monitoring sheet is in place to show all outstanding accounts. An examination of the spreadsheet, as at November 2019, identified the following outstanding items:</p> <ul style="list-style-type: none"> • Items that require a final account – 45 jobs with a balance of £169,007.58 (since 2012); • Items that require Finance action – 33 jobs with a balance of £58,572.48 (since 2013); and • Other items – 38 jobs with a balance of £152,679.59 (since 2012). These other items include final accounts in query, returned final accounts, awaiting bank details from client, and job review needed. <p>Each job is RAG rated on the basis of priority for it to be invoiced/refunded. Of the 210 outstanding jobs, there were 62 red rated and 97 amber rated items outstanding. We were informed that extra resource has been appointed to help clear the backlog with a target to clear 15 to 20 accounts each month starting February 2020.</p>	<p>Where outstanding jobs are not investigated and cleared in a timely manner, there is an increased risk that errors or anomalies remain unidentified for an extended period of time, which may have an impact on Council's financial records.</p>	<p>The Private Works Team and Finance Team should undertake action to clear the long outstanding jobs and ensure that the clients are either invoiced or refunded.</p> <p>The agreed timetable to clear the backlog should be monitored against on a regular basis to ensure that the required actions are being completed and clients invoiced/refunded.</p> <p>Going forward, management should ensure that once final accounts have been prepared, that an invoice or refund is issued promptly.</p>

Management Response	
<p>Agreed.</p> <p>The Private Works Team are engaged on clearing the backlog. We have set a deadline of completing the backlog by March 2021.</p> <p>The Service Manager has stated that previous Private Works Team members who still work for the Council will devote some of their time each week to help clear those jobs that they initiated.</p> <p>The Finance Team will monitor progress and provide updates on the number of jobs completed per month and will suggest actions that Private Works Team need to take to finalise either refunds or additional invoices.</p>	
Responsible Officer	Deadline
Michael Masella – Project Team Manager Giles Batchelor – Finance Manager (Environment)	31 st March 2021

3. Bank Details Verification

Priority	Issue	Risk	Recommendation
High	In order for a refund to be made, clients are required to provide the Finance Team details of their bank account into which they want the refund to be made. It was however noted that no further verification checks are completed by Finance to confirm the legitimacy of bank details provided prior to processing the refund or to ensure that the correct details have been entered when processing the refund.	Where bank details are not verified, there is an increased risk that incorrect or fraudulent refunds are made leading to financial loss and additional resources required to correct any errors.	<p>The Finance Team should undertake further verification of the bank details provided prior to issuing a refund, to confirm they are legitimate.</p> <p>Alternatively:</p> <ul style="list-style-type: none"> A separate officer should check the bank details applied to each refund, either before or after it has been sent for payment; or The Finance Team should contact the client to notify them of where the refund has been paid into thus confirming that it is the correct account. <p>The above process should be included in the procedure notes and compliance with this requirement should be monitored.</p>
Management Response			
<p>Agreed.</p> <p>As part of their communications with their clients, the Private Works Team will ask for supporting evidence of bank details in the form of copies of redacted bank statements or blank cheque or paying in books.</p> <p>These will be reviewed to ensure that name and address details, sort codes and account numbers match client information already held.</p>			
Responsible Officer			Deadline
Michael Masella – Project Team Manager			31 st August 2020

4. Refunds

Priority	Issue	Risk	Recommendation
Medium	<p>The refunds issued should agree with the approved final account and the bank details provided by clients. The target days to process refund is 21 days from the completion of final account.</p> <p>Of the 14 refunds tested, the following was identified:</p> <ul style="list-style-type: none"> • Nine refunds were issued. However, in one case the amount refunded did not agree to the final account. The amount refunded was £1,846.72 instead of £2,171.72 as per the final account thus resulting in a shortfall of £325. The Senior Finance Officer stated that this discrepancy was due to the final account being adjusted to account for the application fee of £325, however the final account had not been revised to reflect this; and • Five refunds were not yet issued due to Finance still waiting for clients to provide their bank details. • 11 refunds were not processed within 21 days – three of these were from 2015. The processing timescales ranged from one month to three years. We were informed that the main cause of significant delays was due to delays in receiving confirmation of clients’ bank details. 	<p>Where final accounts and refunds are not completed in a complete, accurate and timely manner, there is an increased risk that the Council will not identify cases where refunds are due and invalid and/or inaccurate refunds are issued and individual could potentially divert the refund away from the client.</p>	<p>Refunds should be issued based on the final account, but where there are amendments to be made, these should be returned for revision and approval should be obtained from Senior Finance Officer before refunds are processed, where appropriate.</p> <p>Refunds should be processed in a timely manner following completion of the final account. Performance against target for the processing of refunds should be monitored and reported on. Action should be taken where performance is below target.</p> <p>Management should agree an appropriate cause of action where clients do not provide confirmation of their bank details following repeated requests. This could be by making the account dormant after a defined period until the client makes contact with the Council. Guidance on this should be included within the procedure notes and compliance on adhering to the guidance should be monitored.</p>
Management Response			
<p>Agreed.</p> <p>Once a final account has been agreed and bank details obtained Finance Team will ensure that a refund is made within 21 days. If bank details are not forthcoming within 21 days, the account will be labelled as dormant until the client contacts the council.</p>			
Responsible Officer			Deadline
Giles Batchelor – Finance Manager (Environment)			31 st August 2020

Appendix 2: Definition of Assurance Opinions and Recommendation Priorities

In order to help put the audit opinion and recommendation priority ratings in context the following tables detail the current ratings used by Internal Audit.

Rating	Description
 Su	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and no material errors or weaknesses were found.
 Sa	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
 L	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
 N	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Priority	Description
High	Recommendation addresses fundamental weaknesses, which seriously compromise the effective accomplishment of the system's objectives. Risks presented by the control weaknesses could be damaging in the short term. The management action required should be implemented as soon as possible, certainly within 0-3 months.
Medium	Recommendation addresses serious weakness, which affect the reliance to be placed on the system. Risks presented by control weaknesses could be damaging in the medium term. Management action is required within 0-6 months.
Low	Recommendation addresses minor weaknesses or suggests a desirable improvement. Risks presented by control weaknesses are unlikely and inconsequential. Management action is recommended to address concerns within 0-9 months.

Appendix 3: Audit Scope, Limitations, and Inherent Risks

This audit was a full risk based review of the arrangements for the Highways Deposits and Refunds – Rechargeable Works and included the following areas:

Outline Scope		
Ref	Audit Area	Coverage
01	Policies and Procedures	All staff are aware of what is required of them and act consistently in compliance with legislative and management requirements and in an economic, efficient and effective manner.
02	Rechargeable Works Final Accounts and Refunds	Any refunds due are paid accurately promptly upon completion of the final account. Refunds are paid directly to the customer who originally paid for the works.
03	Separation of duties	An adequate separation of duties exists between those undertaking the works, preparing the final account and making any refund payments due.

Limitations to the Scope of the Audit

The following limitations to the scope of the audit were agreed when planning the audit:

- The work will be undertaken using a risk based approach and testing will be on a sample basis to verify compliance;
- The records maintained by third parties to the Council will not be reviewed and are outside of the scope of this audit;
- This work will be focussed on refunds paid in relation to rechargeable works only. We were advised that bonds or deposits are not required for any other highways work. Bonds may be applied for Section 278 works in some circumstances; however, this rarely occurs; and
- The audit review does not provide absolute assurance that material error, loss or fraud does not exist.

Inherent Risks

The risks listed below are potential inherent risks which are common for any system/organisation of this type:

- The entire amount of the remaining balance is repaid where funds should be held back to rectify unsatisfactory work.
- Inaccurate refund payments are made to customers or are not made promptly.
- Refunds payments are fraudulently redirected to bank accounts other than the customer's.

Appendix 4: Timetable and Distribution List

Stage	Date
End of Fieldwork	05/12/2019
Draft Report Issued	15/06/2020
Responses Received	25/08/2020
Final Report Issued	01/09/2020

Audit Team
Client Engagement Manager – James Graham
Auditor – Carmela Alas
Auditees
Michael Masella – Project Team Manager
Giles Batchelor – Finance Manager (Environment)
Ming Wah Suen – Senior Finance Officer (Environment)
Nicky Moodley – Project Engineer
Margaritta Jenczelewska – Private and Rechargeable Works Officer
Client Sponsor
Sharon Lea – Strategic Director of Environment

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Recommendations for improvements should be assessed by management for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

This report is prepared solely for the use of Audit Committee and senior management of the London Borough of Hammersmith and Fulham. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

London Borough of Hammersmith and Fulham
Final Internal Audit Report
Service Charges

April 2020



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1 Introduction

As part of the internal audit plan for 2019/20, agreed by the Audit and Pensions Committee, we have undertaken an internal audit of Service Charges within the London Borough of Hammersmith and Fulham.

Service charges are levied by Councils to recover the costs incurred in providing services to a building. The way in which the service charge is organised is set out in the leaseholder's lease. The charge normally covers the cost of such matters as general maintenance and repairs, insurance of the building and, where the services are provided, lifts, lighting cleaning of common areas etc.

The Council calculates the service charges as a percentage, as set out in the lease. There are two types of charges made by the Council to leaseholders. These are the annual service charge, which covers services delivered by the Council to a building or estate, and major works bills, which are for significant periodic works done to buildings.

Major works service charges are for necessary repairs, renewals, and in some cases, improvements which cannot be done under the normal day-to-day repairs arrangement due to the amount of work involved. The Council will write to leaseholders before going ahead with any work to tell them what the Council are planning and how much the leaseholder is likely to be charged. At this stage the leaseholder is given an opportunity to comment and ask questions.

The service charge estimated invoices for the year ahead are sent in end of March each year. The actual charges (where the actual costs incurred are adjusted after being calculated) are sent in September after the end of the financial year. A detailed breakdown of how the charges are allocated is included within the invoices.

When major works are needed, residents are issued with Section 20 notices, before the works begin. These are invoiced after completion, with flexible payment terms available.

Major works will not be reviewed as part of this audit. A separate audit of major works will be undertaken.

2 Executive Summary

2.1 Assurance Opinion

	Nil	Limited	Satisfactory	Substantial
Audit Opinion (Operations)				
Audit Opinion (SAP /Debt Management)				

2.2 Recommendations Summary

The following table highlights the number and categories of recommendations made.

Area of Scope	Adequacy	Effectiveness	Recommendations Raised		
			High	Medium	Low
Policies and Procedures			0	0	1
Identification of Leaseholders			0	0	0
Identification and Allocation of Attributable Costs			0	0	0
Estimates and Invoicing			0	0	0
Collection			0	0	0
Debt Management			1	0	0
Total			1	0	1

Please refer to Appendix 1 for the recommendations raised and Appendix 2 for a definition of the audit opinions and recommendation priorities.

3 Summary of Findings

In Internal Audit's opinion, **Satisfactory Assurance** can be given to Members, the Chief Executive and other officers that the controls relied upon at the time of the audit were suitably designed, consistently applied and effective in their application.

Controls were found to be effective in the areas of identification of leaseholders, identification and allocation of attributable costs, and invoicing of estimated and actual service charge costs. However significant weaknesses were noted with regards to the identification of outstanding service charges and debt management. These weaknesses were in the main due to the implementation of SAP and is a corporate issue. As such a **Limited Assurance** opinion has been provided for controls relating to debt management.

Management were aware of operational issues with SAP in relation to payments not always posting to customer accounts, aged debt reports not distinguishing between major works and service charges debt, and the dunning service on SAP being deactivated. The situation has since improved with receipt of payment being allocated to the correct account, separation of debts between major works and service charges and plans to reactivate the dunning service.

The key findings and an assessment of controls are summarised below:

Policies and Procedures

- Policies and procedures are in place for the administration of Service Charges. These are held on SharePoint for all relevant staff to access. It was however noted that the procedures have not been updated since 2016 and refer to the previous financial system, Agresso. Since December 2018, the Council is using a new financial system, SAP. The department is in the process of updating all its procedures to reflect the current system.

Identification of Leaseholders

- A database of Council leaseholders is held on iWorld, the housing management system. This records the property account number, name of the leaseholder, property address, correspondence address, and the date of sale.
- Legal Services inform the Service Charges Team when a lease has been sold or transferred, and the leaseholder account on iWorld can then be created or amended as appropriate. From a sample of ten lease sales/transfers tested between September 2018 and September 2019, it was confirmed in all cases that the leasehold services team had been notified of the transaction date and the account updated on iWorld within one month of receipt of the notification.

Identification and Allocation of Attributable Costs

- A spreadsheet is maintained by the Service Charges Team, which records works planned on each building/block, and their corresponding costs.
- The lease for each property details the percentage of the overall building and/or estate service charge that the leaseholder is liable to pay. The annual invoice issued to the leaseholder records the overall service charge for the building and estate, and the percentage that the leaseholder is liable for each element. From a sample of ten leasehold properties selected for testing, it was confirmed that in all cases the service charge had been apportioned correctly in line with the lease agreements.

Estimates and Invoicing

- Service charge estimates are in the majority of cases an average of the actual cost figures from the previous three years. Management can make adjustments to these figures, i.e. where significant upcoming works are known. A sample of ten leasehold properties was selected for testing, and in all cases, the service charge estimate had been calculated, and invoice sent to the leaseholder in March 2019 prior to the forthcoming financial year.

- Invoices of actual service charge costs are issued to leaseholders in September following the end of the previous financial year. This will show either a credit (which can be credited against the service charge for the next financial year or refunded) or a debit which the leaseholder is required to pay. A sample of ten leasehold properties was selected for testing, and in all cases the service charge invoice had been sent to the leaseholder in September, relating to the actual costs for the previous financial year.
- A reconciliation is undertaken between the number of invoices generated from iWorld and the number of invoices that should be sent as per the spreadsheet records maintained by the Service Charges Team. Any discrepancies are investigated. We confirmed that this reconciliation was undertaken in March 2019 and September 2019 and no discrepancies were noted.

Collection

- Multiple methods of payment are available to leaseholders paying the service charge. These are via direct debit, bank transfer, telephone, cheque, and in person with cash at the Customer Service Centre or Post Office.

Debt Management

- The implementation of SAP at the Council has resulted in operational issues with the monitoring of payments received and outstanding invoices. At the time of the audit in October 2019, management was unable to effectively monitor the payment of service charge invoices as payments received were not always automatically posted against the corresponding invoice. Where this posting fails, payments enter the suspense account and are time consuming to manually allocate. The situation has since improved with receipt of payment being allocated to the correct customer account.
- From the implementation of SAP to the time of the audit in October 2019, management were unable to accurately identify the amount of outstanding service charges debt. This was due to issues with both the income received not being automatically posted on SAP and the aged debtor reports (referred to below) not distinguishing between service charge debt and major works debt. The Council is now using a software tool, Power BI, to report on all debt within SAP relating to service charges.
- Aged debtor reports are run on a monthly basis and presented to senior management. However, due to the issue with payments not posting correctly into SAP, these reports no longer accurately identify non-payment of Service Charges. At the time of the audit in October 2019, the reports were also not distinguishing between the different types of debt, for example, whether they relate to major works or for service charges, therefore making it more difficult to undertake recovery action. Following training and the continued use of the SAP system, management are now able to distinguish between service charge debt and major works debt. The monthly Corporate Revenue Monitoring (CRM) reports now include the debt separated between service charges and major works.
- The first stage of the debt recovery process is for reminder letters to be sent to the debtor and where the debt remains outstanding, it is referred to Legal Services to pursue. It was noted that there are no procedures in place with regards to the debt recovery process. Since the implementation of SAP, there have been difficulties with the issuing of reminder letters. Therefore at the time of the audit in October 2019, no debts had been pursued or referred to Legal Services. Recovery action on service charge debts has since commenced. As at December 2019, the outstanding debt for service charges was £2,507,020 compared to £3,408,218 for October 2019.
- A 'Dunning' service is available through SAP whereby three reminder letters can be automatically issued. However, a council wide decision was made to suspend this service due to issues encountered and subsequently the debt recovery process has become manual and reactive focussing on higher value debts which are generally for major works rather than service charges.

-
- There are plans to reactivate the 'Dunning' service. The Finance Systems Manager will also receive a weekly report detailing accounts with outstanding debt and these will be shared with relevant service areas, including Service Charges.
 - No debts have been written off since the implementation of SAP.

4 Acknowledgement

We would like to thank the following members of staff for their time and assistance during the audit:

- Paul Hayward – Head of Leasehold Services
- Ciaran Maguire – Service Charge Manager
- Madhav Acharya – Systems Accountant
- Stephen Fitzgerald – Senior Service Charge Accountant
- Duncan Cheung – Senior Service Charge Accountant
- David Bellanfante – Leasehold Income Support Officer

Appendix 1: Management Action Plan

1. Policies and Procedures – Implementation of SAP

Priority	Issue	Risk	Recommendation
Low	Policies and procedures are in place for the administration of Service Charges and the debt recovery process. However, procedures have not been updated since 2016 and refer to the previous finance system, Agresso rather than the new finance system, SAP. The team are in the process of updating all procedures to reflect the current system.	Where policies and procedures are not periodically reviewed and updated to reflect current working practices, there is an increased risk of inconsistent and inefficient working practices leading to non-compliance with legislation and management requirements.	The updating of policies and procedures relating to the administration of Service Charges should be expedited, with a timetable agreed for completion.
Management Response			
Agreed. Both policies and procedures will be updated to reflect the current finance systems.			
Responsible Officer			Deadline
Paul Hayward – Head of Leasehold Services Madhav Acharya – Systems Accountant			30 th June 2020

2. Debt Management – Debt recovery

Priority	Issue	Risk	Recommendation
High	<p>Whilst aged debtor reports are run on a monthly basis, due to issues with SAP, these are not accurately identifying non-payment of service charges or distinguishing between major works debt and service charges debt.</p> <p>Since the implementation of SAP, there have also been issues with the sending of reminder letters. Therefore, the Service Charges team have been unable to identify, pursue or recover outstanding service charge debts.</p>	Where prompt recovery action is not taken on outstanding debts, there is an increased risk that income due will not be recovered leading to financial loss.	<p>Management should liaise with the service provider, SAP, to resolve the functionality issues, preventing service charge debt from being automatically pursued via the 'Dunning' service.</p> <p>Once resolved, debt recovery procedures should be developed and include the timescales for sending out reminder letters.</p> <p>A plan of action to pursue outstanding service charge debts should also be developed.</p>
Management Response			
<p>Agreed.</p> <p>The team have a number of workarounds in place to pursue arrears, service charge debts are distinguishable. Following the Covid 19 outbreak a corporate decision has been taken to put on hold dunning debt recovery letters issued from SAP GUI. Once this restriction is lifted dunning will be switched back on. The longer term plan to resolve the functionality issues is to move service charge recovery out of SAP GUI and into the Integrated Housing Management system – Northgate. A project team has been set up to implement this change.</p>			
Responsible Officer			Deadline
Paul Hayward – Head of Leasehold Services			31 st December 2020

Appendix 2: Definition of Assurance Opinions and Recommendation Priorities

In order to help put the audit opinion and recommendation priority ratings in context the following tables detail the current ratings used by Internal Audit.

Rating	Description
 Su	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and no material errors or weaknesses were found.
 Sa	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
 L	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
 N	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Priority	Description
High	Recommendation addresses fundamental weaknesses, which seriously compromise the effective accomplishment of the system's objectives. Risks presented by the control weaknesses could be damaging in the short term. The management action required should be implemented as soon as possible, certainly within 0-3 months.
Medium	Recommendation addresses serious weakness, which affect the reliance to be placed on the system. Risks presented by control weaknesses could be damaging in the medium term. Management action is required within 0-6 months.
Low	Recommendation addresses minor weaknesses or suggests a desirable improvement. Risks presented by control weaknesses are unlikely and inconsequential. Management action is recommended to address concerns within 0-9 months.

Appendix 3: Audit Scope & Limitations

This audit was a full risk based review of the arrangements for the Council's administration of leaseholder Service Charges and included the following areas:

Ref	Audit Area - Description	Comments on Coverage / Area Objectives
1	Policies and Procedures	Policies and procedures in place are comprehensive, up-to-date and available to all relevant members of staff to help staff perform duties in an efficient and effective manner.
2	Identification of Leaseholders	All leaseholders who are liable to pay service charges to the Council are identified by the Council in a timely manner.
3	Identification and Allocation of Attributable Costs	All eligible service charge expenditure is identified and accurately allocated to leaseholders.
4	Estimates and Invoicing	Estimates and invoices are completely, accurately and promptly raised for all leaseholders in line with management and regulatory requirements.
5	Collection	Service charge income received is completely, accurately, and promptly recorded in the authority's accounts.
6	Debt Management	Management are provided with accurate and timely management information regarding outstanding debts and debt recovery activity. Where appropriate, debts are referred to Legal Services. Accounts in arrears are reviewed periodically and any debts deemed irrecoverable are written off.

Key risks

Key generic risk factors that affect this service are:

- All Council leaseholders may not be identified and included in service charge calculations
- Leaseholder service charges may not be properly identified, apportioned and recharged
- Income received from leaseholders may not be allocated promptly to the correct account
- Leaseholder services charges may not be recovered in a timely manner

Limitations to the Scope of the Audit

The internal audit approach was developed through an assessment of risks and management controls operating within the agreed scope. The following procedures were adopted:

- Identification of the role and objectives of each area;
- Identification of risks within each area which threaten the achievement of objectives;
- Identification of controls in existence within each area to manage the risks identified;
- Assessment of the adequacy of controls in existence to manage the risks and identification of additional proposed controls where appropriate; and
- Testing of the effectiveness of key controls in existence within each area.

Management should be aware that our internal audit work was performed in accordance with the Public Sector Internal; Audit Standards which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Our internal audit testing was performed on a judgemental sample basis and focussed on the key controls mitigating risks. Internal audit testing is designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Please note that, in relation to the agreed scope, whilst our internal audit will assess the efficiency and effectiveness of key controls from an operational perspective, it is not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.

Appendix 4: Timetable and Distribution List

Stage	Date
End of Fieldwork	06/01/2020
Draft Report Issued	13/02/2020
Revised Draft Report Issued	04/03/2020
Responses Received	06/04/2020
Final Report Issued	06/04/2020

Audit Team
James Graham – Client Engagement Manager
Dilen Navsaria – Auditor
Auditee
Paul Hayward – Head of Housing Income
Madhav Acharya – Finance Manager (The Economy Department)
Stephen Fitzgerald – Senior Service Charge Accountant
Duncan Cheung – Service Charge Accountant
Client Sponsor
Hitesh Jolapara – Strategic Director of Finance and Governance

Report Distribution List
Hitesh Jolapara – Strategic Director of Finance and Governance
Fiona Darby – Assistant Director of Place Services
Mark Brayford – Assistant Director Direct Delivery
Paul Hayward – Head of Housing Income
Madhav Acharya – Finance Manager (The Economy Department)

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Recommendations for improvements should be assessed by management for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

This report is prepared solely for the use of Audit Committees and senior management of the London Borough of Hammersmith and Fulham. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

London Borough of Hammersmith & Fulham

Report to: Audit and Pensions Committee

Date: 15/09/2020

Subject: Internal Audit Plan 2020/21

Report of: David Hughes, Director for Audit, Fraud, Risk and Insurance

Responsible Director: Director for Audit, Fraud, Risk and Insurance

Summary

The first draft of the Internal Audit Plan was circulated to the Senior Leadership Team prior to consideration at the Audit and Pensions Committee which was due to be held in March 2020 but was cancelled due to the Covid-19 pandemic. As a result of the Council's need to focus their resources on responding to the pandemic, the Internal Audit Service took the decision not to commence any new work during April to June unless it was specifically agreed with the service. This slight delay has provided us with an opportunity to review the plan and to consider changes in risks and personnel and re-engage with the Senior Managers at the Council. The Plan is flexible to allow for change where areas of higher priority are identified, whilst ensuring that sufficient internal audit coverage is provided to enable the Director of Internal Audit, Fraud, Risk and Insurance to provide the Council with an opinion at the end of the year on the adequacy of the Council's internal control, risk management and governance arrangements. The Audit Plan for 2020/21 is contained in Appendix 1 to this report.

Recommendation

For the Committee to review the Internal Audit Plan for 2020/21 as set out in Appendix 1 and consider:

- Does the Plan cover the organisation's key risks as they are recognised by the members of the Committee?
- Does the plan reflect the areas that the Committee believe should be covered as priority?
- Are the Committee satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks not included in our annual Plan?

Wards Affected: None

H&F Values

Please state how the subject of the report relates to our values – delete those values which are not appropriate

Our Values	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none">• Building shared prosperity• Creating a compassionate council• Doing things with local residents, not to them• Being ruthlessly financially efficient• Taking pride in H&F• Rising to the challenge of the climate and ecological emergency	<p>The Director for Audit, Fraud, Risk and Insurance is required to develop and implement an programme of work to enable an annual report and opinion to be prepared on the Council's system of internal control.</p> <p>The Audit Plan takes into account the risks of achieving the Council's Values and is devised in consultation with the Strategic Leadership Team.</p>

Contact Officer(s):

Name: David Hughes
Position: Shared Services Director for Audit, Fraud, Risk and Insurance
Telephone: 020 7361 2389
Email: David.HughesAudit@lbhf.gov.uk

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

- 1.1. The Council's internal audit function is provided by the Shared Internal Audit Service. Internal Audit is required to provide the S151 Officer, the Strategic Leadership Team and the Audit and Pensions Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. This opinion is predominantly based on the outcomes from the audit work undertaken each year.
- 1.2. The Audit and Pensions Committee are provided with updates at each meeting on all limited and no assurance audits issued in the period.

1.3. A description of each level of assurance is shown below:

Assurance Level	Details
Substantial assurance	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and no significant errors or weaknesses were found.
Satisfactory assurance	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited assurance	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No assurance	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

- 1.4. The Internal Audit Plan for 2020/21 is attached as Appendix 1 to this report and identifies the key areas within the Council where we expect to utilise our resources during 2020/21. The content of the Plan is informed by the Council's key priorities, significant emerging and current risks as identified in the Council's Risk Registers (as set out in the appendix) as well as changes made to Council systems, structures and service delivery. Areas of high risk have been identified and included in the Plan as well as cyclical and thematic reviews in areas of lower financial risk (e.g. schools).
- 1.5. Further discussions with management will take place to scope out individual audits identified for completion during the year. The Plan is flexible to allow for change where areas of higher priority are identified whilst ensuring that sufficient internal audit coverage is provided to enable the Director for Internal Audit, Fraud, Risk and Insurance to provide the Council with an opinion at the end of the year on the adequacy of the Council's internal control, risk management and governance arrangements.
- 1.6. In addition, areas of fraud risk have been identified and evaluated by the Corporate Anti-Fraud Service and this information will be used to inform and focus the scope of some of the planned audits as well as identifying areas where pro-active exercises and data analytics can provide additional assurance that fraud risks are effectively managed.

Legal Implications

- 1.7. Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:
- 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.

- 1.8. Regulation 5 requires the Council to ensure that it undertakes 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.

There are no particular legal implications arising from this report.

Implications verified by Janette Mullins Chief Solicitor (litigation), tel: 020 8753 2744

Financial Implications

- 1.9 The Internal Audit Plan is delivered within the revenue budget for the service. Actions required as a result of audit work, and any associated costs, are the responsibility of the service managers and directors responsible for the areas which are reviewed.

The proposals contained in this paper have no additional resource implications for the audit service.

Implications completed by Andre Mark, Finance Business Partner, 020 8753 6729 and verified by Emily Hill, Director of Finance, 0208 753 3145.

Risk Management

- 1.10 The Internal Audit Plan is developed and delivered to cover the key risks faced by the Council, to provide assurance on the key controls in operation and the effective management of key risks.

Implications verified by Michael Sloniowski, Risk Manager, telephone 020 8753 2587

List of Appendices:

Appendix 1 – Internal Audit Plan 2020/21

London Borough of Hammersmith and Fulham

Internal Audit Plan

2020/21

First Draft - March 2020

Updated August 2020



Revised Audit Plan 2020-21
(for review by Audit & Pensions Committee – 15 September 2020)

1. Introduction

- 1.1 The Plan is flexible to allow for change where areas of higher priority are identified, whilst ensuring that sufficient internal audit coverage is provided to enable the Director for Internal Audit, Fraud, Risk and Insurance to provide the Council with an opinion at the end of the year on the adequacy of the Council's internal control, risk management and governance arrangements.
- 1.2 In addition, areas of fraud risk have been identified and evaluated by the Corporate Anti-Fraud Service and this information will be used to inform and focus the scope of some of the planned audits as well as identifying areas where pro-active exercises and data analytics can provide additional assurance that fraud risks are effectively managed (see Section 5 of this report).
- 1.3 The impact of Covid-19 on the Council's services has been considered when preparing the Plan and this will be monitored during the year and reflected upon when preparing scopes of work for individual audits. We are also reviewing how sufficient coverage can be obtained over the course of the year, through the use of data analytics and by undertaking a number of cross-cutting reviews.

2. Resources

- 2.1 The Plan covers key activities such as service change, procurement, contract management and information management as well as cyclical compliance reviews.
- 2.2 Our resources, have successfully undertaken audit and investigation work remotely during the lockdown period and we will continue to audit/investigate remotely wherever possible. If attendance at one of the Council's offices or sites is essential or visits required to residents, we will ensure that personal risk assessments are undertaken in accordance with the Council's Health and Safety guidelines.
- 2.3 Audit resources have been allocated based on the type, complexity and risks associated with the reviews identified in each of the Departments. Table 1 shows an **estimate** of the allocation of audit resources to fulfil the Council's Audit Plan for the 2020/21 financial year.

Revised Audit Plan 2020-21
(for review by Audit & Pensions Committee – 15 September 2020)

Table 1 - Estimated Allocation of Audit Resources 2020/21

Department	% of plan
Cross-service/council-wide reviews	12
Finance (including RFE work)	10
Resources	12
Children's Services	14
Schools	12
Social Care	10
Economy	16
Environment	14

Revised Audit Plan 2020-21
(for review by Audit & Pensions Committee – 15 September 2020)

3. Audit Plan

Cross-service/thematic reviews

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Procurement	Any significant procurement where an advisory review could be undertaken.	TBA	TBA	1, 2, 5
Contract Management	Continuation of corporate review of contract management commenced in 2019/20. Need to consider impact of Covid-19 on the contracts and how these are managed.	3 to 4	High	1, 2, 5
Cyclical Compliance reviews	Corporate reviews in the following areas: <ul style="list-style-type: none"> • Ethical governance including declarations of interest reporting, gifts & hospitality • Compliance with organisational management controls (e.g. vacancy control, use of agency staff) • Risk management • Control improvements identified following internal/external reviews 	2 to 4	Various	1, 2, 5
Information Management	Areas identified for consideration include: <ul style="list-style-type: none"> • Review of compliance with data protection and GDPR requirements on the use of and control over sensitive data • Service continuity arrangements - new BC system 	2 to 4	High	2, 3
Corporate support functions	Audits could include: <ul style="list-style-type: none"> • Business Intelligence • Programme assurance 	TBC	Medium	1, 2, 5

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(for review by Audit & Pensions Committee – 15 September 2020)

Finance

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Financial Management	Treasury Management	2/3	High	1, 2, 5
Financial management system	RFE - Effectiveness of controls and compliance with these controls across all Council services in respect of budgetary control, accounts payable (including approval process), accounts receivable (including timeliness of invoicing), income management, debt management, accounting for VAT, impact of credit notes etc	2 to 4	High	1, 2, 5
Financial operations	Housing Rents	3	High	1, 2, 4
Capital Programme	Management of finance and delivery (follow on from previous audit review)	3	High	1, 2, 3, 4, 5

Resources

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Procurement - Governance	To consider changes to procurement processes (advisory). Impact of the new Contract Standing Orders (assurance) - Expecting improved control over areas such as waivers, procurement planning, direct awards. Requirement for sign off by appropriate officers (procurement, legal and finance).	2 to 3	High	1, 2, 5
Policy & Communications	Review of governance arrangements	4	Medium	1, 2, 5
Digital Services - Post Implementation Review	TechTonic Programme	2 to 3	Medium	2, 5
Digital Services - Security & Resilience	Scope to be agreed to ensure it covers risk areas following agile working and particularly homeworking. Areas identified for consideration: <ul style="list-style-type: none"> • Service Desk Process • Cyber Security follow up on 2019/20 Review • Asset Management • Access Management • Desk Top Resilience – dependent on provider assurance (SOC1 and SOC2) 	2 to 3 2 to 3 4 4 TBC	Medium High Medium High Medium	2, 5 2, 5 2, 5 2, 5 2, 5
Digital Services - Applications	New Application Approval Process	4	High	2, 3, 5
Digital Services - General	Application and approval of specialist IT related equipment (link with People & Talent)	3	High	2, 5
People & Talent - Learning & Development Tools	Review of new system (Success Factors), controls and compliance, completeness of data, inclusion of agency staff, completion of mandatory training (eg H&S, cyber awareness and GDPR etc) and reporting.	3	High	2, 5
People & Talent - Cyclical	To consider a programme of reviews (RFE testing) covering areas	1 to 4	High	2, 5

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(for review by Audit & Pensions Committee – 15 September 2020)

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Compliance and/ or establishment reviews	such as: <ul style="list-style-type: none"> • Pay and allowances; • Sickness & absence management; • Starters and leavers process compliance 			

Children’s Services:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Service Change	Placements (currently shared service) – Advisory Review.	3	High	1, 5
Information Management	Movement of Sharepoint data (SEN) – Advisory Review	2	High	2, 5
Family Services, Safeguarding Social Work	Reviews to include: <ul style="list-style-type: none"> • Placements – Sufficiency, Regulated and Non-Regulated • Assurance on Supporting People claims • Use of Spot Contracts (all not just placements) 	3 1 to 4 3	High	1, 2, 3, 5
Cyclical Compliance	Use and control of Purchasing Cards and cash	4	High	1, 2, 5

Schools:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk
Targeted Reviews:	Schools: <ul style="list-style-type: none"> • Avonmore Primary • (St John’s XXIII) Pope John RC Primary • St Mary’s RC Primary • St Stephen’s CE Primary • Cambridge Special • Woodlands High • Flora Gardens Primary 	2 to 4	Medium	1, 2, 5
Thematic Reviews:	Undertake thematic reviews across the school population to review compliance. Potential areas to include: <ul style="list-style-type: none"> • Health & Safety • GDPR & IT Security 	3	High	1, 2, 4, 5
General & Cyclical Reviews	<ul style="list-style-type: none"> • School Bursarial Service – VFM Review. • Queensmill School Follow up and Transfer to Academy • Recoupment (EHCP top up and other agreed charges) 	2 2 3	Medium High Medium	1, 2, 5

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(for review by Audit & Pensions Committee – 15 September 2020)

Social Care (including Public Health):

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Information Management	Mosaic Financial Controls	2	High	2
Social Care	Supervision – Compliance with Policy (post survey)	2 to 3	High	2
General	Risk Workshops	3	High	1, 2, 5
General	PFI Programmes (VFM)	3	High	1, 2, 5

Economy:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Service Change	Consider changes required and effectiveness, taking account of the Covid-19 recovery process. To include: <ul style="list-style-type: none"> Operations - Corporate Health & Safety Economy - Workzone/ Local Business Support Operations - Security – Resource Management 	3 3 3 to 4	High High High	1, 2, 5
Information Management, IT & Continuity of Systems	Housing – Geometra Data Quality (may be able to link to housing health and safety audits)	TBC	TBC	2, 5
	Operations, Assets – Property Management Systems Information (focus on FM transferred into Economy in 2020)	3	High	1, 3, 5
Procurement	Following consultation with the service, identify any significant procurement where an advisory review could be undertaken. Could include: <ul style="list-style-type: none"> Housing – Homelessness 	TBC	TBC	1, 2, 5
Housing	Health & Safety Compliance (cfwd from 2019/20) – Water Hygiene and Asbestos	1	High	1, 2, 4
	Health & Safety Compliance (cfwd from 2019/20) – Electrical	3		
	Long Term Repairs Model – Programme (2 workstreams mobilisation & contact centre changes -cfwd from 2019/20)	2 to 3	High	1, 2, 4
	Major Works, lessee and service charges (follow on from 2019-20 work)	2	High	1, 2, 4
	Housing Allocations	2 to 3	High	1, 2, 4
	DLO Communal & Programmed Remedial Works (compliance)	4	High	1, 2, 4

Revised Audit Plan 2020-21
(for review by Audit & Pensions Committee – 15 September 2020)

Environment:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Contract Management	Review a sample of contracts to ensure that appropriate contract management arrangements are in place. The sample to include: <ul style="list-style-type: none"> • CCTV (possibly advisory) – new contractor • Grounds Maintenance Contract 	3 3	High Medium	1, 2, 5
Revenues & Benefits	Cyclical programme of audits to supplement not duplicate work undertaken by external audit covering, taking into account Covid-19 issues: <ul style="list-style-type: none"> • Council Tax • Housing Benefit • NNDR 	4	Medium	1, 2, 3
Cyclical Compliance and/or establishment reviews	Part 1: FOIs, SARs, Complaints & Members Enquiries – service response to requests for information	2	High	3,5
	Part 2: FOIs, SARs, Complaints & Members Enquiries – Implementation of audit recommendations (dependent on outcome of Part 1 review)	4	High	
	Parks Police – Patrols, Planning & Monitoring	2	High	
	Parking (PRP Scheme)	2	Medium	

Revised Audit Plan 2020-21
(for review by Audit & Pensions Committee – 15 September 2020)

4. Risks identified from the Council's Risk Registers

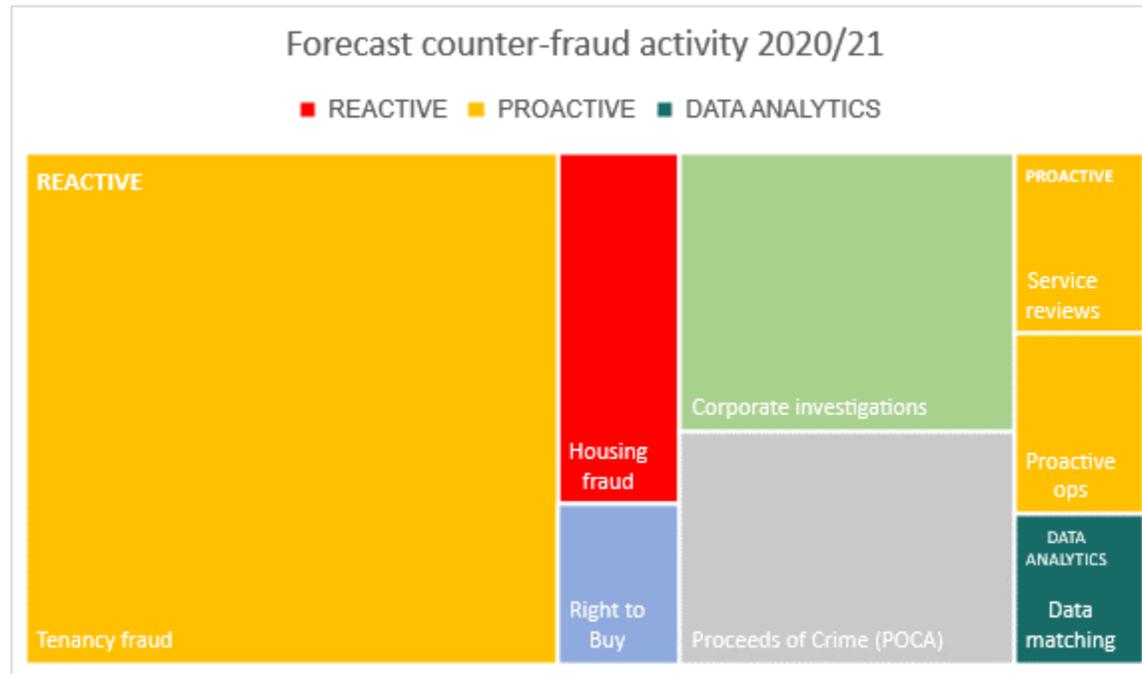
The risks identified from the Council's Risk Registers (2019/20 Q3) are summarised below. Where possible, audits in the plan will be linked to identified risk(s).

Risk Ref	Risk Description
1.	<p>Creating a compassionate council:</p> <ul style="list-style-type: none"> • Children's services placements. Increase in the number of looked after children in the last 3 years creates budget pressures. • Managing statutory duties, equalities, human rights, duty of care regulations, highways. • High needs budget pressure. • Standards and delivery of care, protection of children and adults. • Reliance on external assurance providers and providers to identify and communicate issues arising from inspections. • Failure of partnerships and major contracts. • Increase in complexity of working with Health partners.
2.	<p>Being Ruthlessly Financially Efficient</p> <ul style="list-style-type: none"> • Financial Management in year budget 2019/2020 and Medium-Term Planning. • Commercial contract management and procurement risks, rules, outcomes, social value, management of spend and performance. • Business resilience risks (systems, processes, resources, IT). Separation of the IT Network Infrastructure to a new sovereign model and capacity of the Network at new Civic Campus sites. • Information management and digital continuity, regulations, legislation and compliance. • Failure to identify and address internal and external fraud.
3.	<p>Doing things with, not to residents</p> <ul style="list-style-type: none"> • TFL funding for Hammersmith Bridge renovation: consequence of delays impacting on our residents, businesses, visitors and users. • An event which triggers the Fulham Mortuary being designated as a disaster Mortuary. • King Street Civic Campus. • Digital Accessibility, public sector websites and apps will have to meet minimum accessibility standards. • Preparedness for elections.
4.	<p>Taking Pride in Hammersmith & Fulham, Doing things with, not to residents</p> <ul style="list-style-type: none"> • Compliance with the statutory duties: Management of Asbestos, Electrical Testing, Fire Risk, Plant and Equipment, Water/Legionella. • Co-ordination and response to calls on the Council for Mutual Aid in a crisis and emergency planning response.
5.	<p>All Council Priorities</p> <ul style="list-style-type: none"> • Impact of a 'poor-deal' Brexit (Workforce, Housing, Contracts, Residents, Finances). • Corporate management of Health and Safety. • Decision making and maintaining reputation and service standards. Good Governance, conduct, external inspections. • Change Readiness e.g. Agile Working, TechTonic, New systems. • Attracting and retaining talented people to LBHF. • Failure of the Management Information reporting systems for CHS. • Management of complaints, requests for information, members enquiries.

Revised Audit Plan 2020-21
(for review by Audit & Pensions Committee – 15 September 2020)

5. Corporate Anti-Fraud Service

5.1 The work undertaken by the Corporate Anti-Fraud Service (CAFS) complements the work of Internal Audit and provides additional assurance to the Council that fraud risks are being managed effectively. Reactive and proactive work is planned during 2020/21 by CAFS in the following areas:



Revised Audit Plan 2020-21
(for review by Audit & Pensions Committee – 15 September 2020)

5.2 The table below (Table 2) shows the different areas of CAFS activity planned during 2020/21 together with an **estimate** of the resources planned against each activity:

Table 2 – Estimated Counter-Fraud Resources 2020/21

Anticipated reactive referrals (days)	
Tenancy fraud	700
Right to Buy	50
Housing fraud	110
Corporate investigations	240
POCA	200
Proactive activity (days)	
Service reviews (fraudits)	60
Proactive operations	60
Data analytics (days)	
Data matching	50
Total days allocated	1470

London Borough of Hammersmith & Fulham

Report to: Audit and Pensions Committee

Date: 15/09/2020

Subject: Internal Audit Charter

Report of: David Hughes, Director of Audit, Fraud, Risk and Insurance

Responsible

Director: Director of Audit, Fraud, Risk and Insurance

Summary

In accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), the Council has an Internal Audit Charter which is maintained by the Shared Services Director Audit, Fraud, Risk and Insurance and reviewed annually.

The Audit and Pensions Committee consider the Council's compliance with its own and other published standards and controls as part of their Terms of Reference.

Recommendation

For the Committee to note and comment on the report.

Wards Affected: None

H&F Values

Our Values	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none">Being ruthlessly financially efficient	The Internal Audit Charter and Strategy are prepared in consultation with and to support the Council's Director of Finance who has responsibility under S151 of the Local Government Act 1972 in respect of the proper administration of the Council's financial affairs.

Contact Officer:

Name: David Hughes
Position: Shared Services Director for Audit, Fraud, Risk and Insurance
Telephone: 020 7361 2389
Email: David.HughesAudit@lbhf.gov.uk

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

- 1.1. The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013. The PSIAS are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). The Local Government Application Note has been developed by CIPFA primarily as sector-specific guidance to local government organisations that previously fell within the remit of the CIPFA Code of Practice for Internal Audit in Local Government in the UK and it provides further explanation to the PSIAS and practical guidance on how to apply the Standards.
- 1.2. The objectives of the PSIAS are to:
 - Define the nature of internal auditing in the UK public sector;
 - Set basic principles for providing internal audit services that add value to the organisation, leading to improved organisational processes and operations;
 - Establish the basis for the evaluation of internal audit performance and to promote continuous improvement.
- 1.3. The Standard incorporates a code of ethics governing the integrity and conduct of internal auditors and the requirement for objectivity, confidentiality and competency, including regard to the seven principles of public life.
- 1.4. There are also detailed performance standards on the actual conduct of internal audit work including audit planning, performance of individual audits, progress monitoring and the communication of results.
- 1.5. Included within the Standard is a requirement for regular review and assessment of Internal Audit's conformance with the Standard. This is done as part of the Annual Report of the Shared Services Director for Audit, Fraud, Risk and Insurance which is reported to the Audit and Pensions Committee. The Annual Report to the Audit, Pensions Committee for 2019/20 (reported in September 2020) includes the following statement:

"The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). During 2019/20 the Internal Audit Service undertook a self-assessment to verify PSIAS compliance which has identified

general compliance with the Standards with minor improvements which will be addressed during 2020/21.”

- 1.6. The Internal Audit Charter has been developed to demonstrate compliance with the PSIAS and Appendix 1 sets out the updated Internal Audit Charter and Appendix 2 contains the Internal Audit Strategy which sets out how the Council’s Internal Audit service will be developed and delivered in accordance with the Internal Audit Charter and identifies key impacts on the service where these are known.

Legal Implications

- 1.7 Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council’s responsibility for ensuring that it has a sound system of internal control which:
- 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.
- 1.8 Regulation 5 requires the Council to ensure that it undertakes 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.
- 1.9 There are no particular legal implications arising from this report.

Implications verified by Janette Mullins Chief Solicitor (litigation), tel: 020 8753 2744

Financial Implications

- 1.10 The Internal Audit Service and Plan is delivered within the service budget. Actions required as a result of audit work, and any associated costs, are the responsibility of the service managers and directors responsible for the areas which are reviewed.

Implications completed by Andre Mark, Finance Business Partner, 020 8753 6729 and verified by Emily Hill, Director of Finance, 0208 753 3145.

List of Appendices:

*Appendix 1 – Internal Audit Charter
Appendix 2 – Internal Audit Strategy*

London Borough of Hammersmith and Fulham

Internal Audit Charter

September 2020



1. The Internal Audit Charter

- 1.1 This Charter establishes the purpose, authority and responsibilities for the internal audit service for the London Borough of Hammersmith and Fulham, in accordance with the UK Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations.
- 1.2 The Internal Audit Strategy (Appendix 1) sets out how the Council's internal audit service will be developed and delivered in accordance with the Internal Audit Charter.
- 1.3 The Charter and Strategy will be reviewed annually and presented to the London Borough of Hammersmith and Fulham's Strategic Leadership Team (in its role as the SLT Assurance Board) and to the Audit and Pensions Committee to note.

2. Definitions

- 2.1 Internal Audit is defined by the Public Sector Internal Audit Standards (PSIAS) as:
"an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."
- 2.2 For the purposes of the PSIAS and this Audit charter:
 - The Shared Services Director for Audit, Fraud, Risk and Insurance is designated as the "Chief Audit Executive";
 - The Audit and Pensions Committee are designated as the "Board";
 - The Council's Strategic Leadership Team is designated as "Senior Management".

3. Purpose of Internal Audit

- 3.1 Internal audit provides independent and objective assurance to the London Borough of Hammersmith and Fulham through its Members, the Strategic Leadership Team and, in particular, the Director of Finance, to help discharge responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.
- 3.2 In addition, the Accounts and Audit Regulations (2015) specifically require the provision of an internal audit service. In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council's governance, risk management and internal control systems.
- 3.3 The Internal Audit Service is led by the Shared Services Director for Audit, Fraud, Risk and Insurance and delivers audit reviews across three Councils: The London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea (the host borough) and Westminster City Council.

4. Role of the Shared Services Director for Audit, Fraud, Risk and Insurance

- 4.1 The Shared Services Director for Audit, Fraud, Risk and Insurance is a senior and independent role within the Council and is responsible for:
 - ensuring that internal audit work is risk-based and aligned to the Council's priorities and will support the internal audit opinion;
 - Identifying where internal audit assurance will add the most value or do most to facilitate improvement;

- Producing an evidence-based annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
- Demonstrating the benefits of good governance and working with the Council to promote and support this and helping the Council to understand the risks to effective governance;
- Giving advice to Senior Management and others on the control arrangements and risks in relation to proposed policies, programmes and projects;
- Promoting the highest standards of ethics and standards across the organisation based on the principles of integrity, objectivity, competence and confidentiality;
- Offering advisory services where appropriate and providing advice on risk and internal control arrangements for new and developing systems, including major projects, programmes and policy initiatives whilst maintaining safeguards over independence (see section 9).

5. Role of the Council's Senior Management

5.1 To enable internal audit to fulfil their role, the Council's Senior Management (i.e. members of the Senior Leadership Team and service directors):

- Engage constructively with the internal audit service, facilitating their role throughout the organisation and recognising the role that audit can play in providing advice and assurance;
- Commit to the principles of good governance, recognising its importance for achieving the Council's values and behaviours;
- Take account of advice provided by the Shared Services Director for Audit, Fraud, Risk and Insurance in respect of new and developing systems.

5.2 The Director of Finance (S151 Officer), supports the role of the Shared Services Director of Internal Audit, Fraud, Risk and Insurance by:

- Establishing an internal accountability and assurance framework including how internal audit works with other providers of assurance and ensuring internal audit is independent of external audit;
- Setting out how the framework of assurance supports the annual governance statement (AGS) and identify internal audit's role within this (the Shared Services Director for Audit, Fraud, Risk and Insurance contributes to but is not responsible for the AGS);
- Ensuring the Audit and Pensions Committee's terms of reference includes oversight of internal audit including the monitoring of adherence to professional standards and the performance of the service;
- Ensuring the Shared Services Director of Internal Audit, Fraud, Risk and Insurance has clear lines of reporting to Senior Management;
- Ensuring the annual internal audit opinion and report is issued by the Shared Services Director for Audit, Fraud, Risk and Insurance reports in their own right;
- Ensuring that the Internal Audit Charter and Audit Plan are approved by the Audit and Pensions Committee in accordance with the PSIAS;
- Ensuring that an external review of internal audit quality is carried out at least once every five years and the Audit and Pensions Committee provides support for and participates in the quality assurance and improvement programme as set out in PSIAS.

6. Authority & Access to Records

6.1 In undertaking their duties and responsibilities, Internal Audit (which includes in house staff and contractors) and the Corporate Anti-Fraud Service shall be entitled to have full access to all of the Council's data, records, cash, stores, property, assets, personnel and information whether manual or computerised, it considers necessary to fulfil its responsibilities. Audit and Investigation staff may enter Council property and have unrestricted access to all locations and officers where necessary, on demand, and without prior notice. Council staff are expected to provide every possible assistance to facilitate the progress of audits and investigations.

- 6.2 Access rights apply equally to third parties and organisations, as permitted through the associated contract and partnering arrangements. Right of access to other bodies funded by the Council should be set out in the associated conditions of funding.
- 6.3 All records, documentation and information accessed during the course of audit reviews and investigations shall be used solely for that purpose. All audit and investigation staff are responsible for maintaining the confidentiality of information received in the course of their work and in compliance of GDPR.

7. The Audit and Pensions Committee

7.1 The Shared Services Director for Internal Audit, Fraud, Risk & Insurance is required to provide the Council and the Director of Finance with an annual opinion, reported through the Audit and Pensions Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. To achieve this, the internal audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources;
- To provide assurance that the Council's operations are being undertaken in accordance with relevant internal and external regulations, legislation, internal policies and procedures;
- To provide assurance that significant risks to the Council's objectives are being identified and managed;
- To provide independent assurance over the corporate governance arrangements in place across the Council;
- To provide advice and support to management to enable an effective control environment to be maintained;
- To promote an anti-fraud, anti-bribery and anti-corruption culture with the Council to aid the prevention and detection of fraud;
- To evaluate specific operations or issues at the request of the Audit and Pensions Committee, as appropriate;
- To undertake investigations where there is suspected fraud, bribery or corruption; and
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

7.2 There are inherent limitations in any system of internal control and thus error or irregularities may occur and may not be detected by internal audit's work. When undertaking audit reviews, internal audit will provide management with comments and report on failures or weaknesses in internal control systems together with recommendations for remedial action. It remains a management responsibility to maintain an effective system of internal control and to have adequate systems in place to prevent and detect fraud.

7.3 Where appropriate, Internal Audit may undertake consulting work for the benefit of the Council. Internal Audit may also provide assurance to the Council on third party operations (such as contractors and partners) where this has been provided for as part of any associated contract.

7.4 The Shared Services Director for Internal Audit, Fraud, Risk & Insurance contributes to the review of the effectiveness of the Audit and Pensions Committee, advising the Chair and relevant managers of any suggested improvements.

8. Reporting

8.1 The UK Public Sector Internal Audit Standards require the Shared Services Director for Internal Audit, Fraud, Risk and Insurance to report directly to the top of the organisation and those charged with governance. This is achieved through the following framework:

- The Internal Audit Strategy and Charter and any amendments to them will be reported to the Audit and Pensions Committee;
- The Annual Internal Audit Plan is compiled by the Shared Services Director for Audit, Fraud, Risk and Insurance, taking account of the Council's risk framework and following discussions with

stakeholders, including senior managers. The audit plan is subject to review by the Council's Senior Leadership Team and will be reported to the Audit and Pensions Committee for noting and comment;

- The Internal Audit budget is reported to the Senior Leadership Team and Full Council for approval, as part of the overall Council budget;
- The adequacy, or otherwise, of the level of internal audit resources as determined by the Shared Services Director for Audit, Fraud, Risk and Insurance and the independence of service will be reported to the Audit and Pensions Committee (see also the Internal Audit Strategy);
- Internal audit outcomes and progress with the Internal Audit Plan will be reported regularly to the Council's Section 151 Office and to the Council's Senior Managers;
- Performance against the Internal Audit Plan and any significant risk exposures and control issues arising from audit work will be reported regularly to the Audit and Pensions Committee;
- Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit and Pensions Committee;
- Any instances of non-conformance with the Public Sector Internal Audit Standards will be reported to the Audit and Pensions Committee and will be included in the annual report of the Shared Services Director for Audit, Fraud, Risk and Insurance. If there is significant non-conformance this may be included in the Council's annual governance statement.

9. Independence

9.1 The Council's governance arrangements give the Shared Services Director for Audit, Fraud, Risk and Insurance free and unfettered access to the following:

- The Chief Executive;
- The Chair of the Audit and Pensions Committee;
- The Monitoring Officer;
- All Members of the Senior Leadership Team.

9.2 The independence of the Shared Services Director for Audit, Fraud, Risk and Insurance is further safeguarded by ensuring that any appraisal of personal performance is not unduly influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of the Audit and Pensions Committee have an opportunity to contribute to, and/or review the appraisal of the Shared Services Director for Audit, Fraud, Risk and Insurance. The Shared Services Director has responsibility for Fraud, Insurance and Risk Management at the Council. Independence is maintained by ensuring that internal audit reviews of these functions are carried out and supervised independently of the Shared Services Director, including the scoping of the review and provision of the draft and final reports.

9.3 All Council and contractor staff in the Shared Services Internal Audit Service and Corporate Anti-Fraud Service are required to make an annual declaration of any potential conflicts to ensure that auditors' objectivity is not impaired and that any requirements of the Council are complied with.

9.4 Internal Audit may provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity (over 5% of planned annual audit days) not already included in the audit plan and which might affect the level of assurance work undertaken, will be reported to the Audit and Pensions Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.

9.5 Internal Audit must remain independent of the activities that it audits to enable auditors to make impartial and effective professional judgments and recommendations. Internal auditors have no operational responsibilities towards the systems and functions audited. If additional responsibilities are taken on by the Shared Services Director for Audit, Fraud, Risk and Insurance, appropriate safeguards will be put in place to ensure that these responsibilities do not compromise the independence and objectivity of the service.

9.6 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Shared Services Director for Audit, Fraud, Risk and Insurance has the freedom to report without fear or favour to all officers and particularly to those charged with governance.

- 9.7 Accountability for the response to the advice and recommendations of internal audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so.
- 9.8 The Shared Services Director for Internal Audit, Fraud, Risk and Insurance is responsible for escalating any concerns about maintaining independence through the Chief Executive, the Audit and Pensions Committee and the Senior Leadership Team or the external auditor as appropriate.

10. Counter Fraud, Corruption & Irregularity

- 10.1 Managing the risk of fraud and corruption is the responsibility of management. Internal audit procedures alone cannot guarantee that fraud or corruption will be prevented or detected. Auditors will, however be alert in their work to risks and exposures that could allow fraud, corruption or other irregularity.
- 10.2 The Council has a shared Corporate Anti-Fraud Service as part of the Shared Internal Audit, Fraud, Risk and Insurance Service and the Service has a protocol for close working relations with Internal Audit. The policies and procedures of the Corporate Anti-Fraud Service are detailed in the Council's Anti-Fraud and Corruption Strategy.

11. Due Professional Care

11.1 The Internal Audit Function is bound by the following:

- Institute of Internal Auditors' (IIA) International Code of Ethics
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards;
- The CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations (2019);
- All Council Policies and Procedures;
- All relevant legislation.

11.2 All internal audit staff and contractors are required to sign an annual statement confirming their compliance with the IIA code of Ethics.

11.3 Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

11.4 A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. Both the Shared Services Director for Audit, Fraud, Risk and Insurance and the Senior Audit Manager are required to hold a professional qualification (CCAB or CMIAA) and be suitably experienced.

Internal Audit Charter and Strategy Reviewed and Agreed:

Date	Reviewed by	Comments	Approved by
Sep 2020	Moira Mackie Head of Internal Audit	Reviewed and no material change	David Hughes Shared Service Director for Audit, Fraud, Risk & Insurance
Sep 2019	Moira Mackie Head of Internal Audit	Reviewed and no material change	David Hughes Shared Service Director for Audit, Fraud, Risk & Insurance
Sep 2018	Moira Mackie	Revised Charter	David Hughes Shared Service Director for Audit,

	Head of Internal Audit		Fraud, Risk & Insurance
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INTERNAL AUDIT STRATEGY

This Strategy sets out how the Council's Internal Audit service will be developed and delivered in accordance with the Internal Audit Charter.

The Strategy will be reviewed annually and presented to the Audit and Pensions Committee for information.

Internal Audit Objectives

Internal Audit will provide independent and objective assurance to the organisation, its Members, the Senior Leadership Team and, in particular, to the Director of Finance in support of discharging their responsibilities under S151 of the Local Government Act 1972 relating to the proper administration of the Council's financial affairs.

It is the Council's intention to provide a best practice, cost efficient internal audit service.

Internal Audit Remit

The internal audit service is an assurance function that primarily provides an independent and objective opinion on the degree to which the internal control environment supports and promotes the achievement of the Council's objectives.

Under the direction of a suitably qualified and experienced Chief Audit Executive (the Shared Services Director for Audit, Fraud, Risk and Insurance), Internal Audit will:

- Provide management and Members with an independent, objective assurance and consulting activity designed to add value and improve the Council's operations;
- Assist the Audit and Pensions Committee to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;
- Work closely with other assurance providers to share information and provide a value for money assurance function; and
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Service Delivery

The service will be delivered by a mixture of in-house staff and the Council's internal audit partners under the direction of the Shared Services Director for Audit, Fraud, Risk and Insurance.

Internal Audit Planning

Audit planning will be undertaken on an annual basis and audit coverage will be based on the following:

- Discussions with the Council's Senior Leadership Team and senior managers;
- The risk registers;
- Outputs from other assurance providers (including Hampshire County Council's Internal Audit Service regarding the Finance, HR and Payroll Solution);
- Requirements as agreed with External Audit.

Management views and suggestions are taken into account when producing the audit plan and the Shared Services Director for Audit, Fraud, Risk and Insurance will ensure feedback from or attendance at Service Area Management Team meetings as part of the annual planning process.

The Internal Audit Plan will include the following elements:

- **Risk Based Systems Audit:** Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through a risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they are operating correctly. The selection of work in this category is driven by Service Areas' risk processes and will increasingly include work in areas where the Council services are delivered in partnership with other organisations;
- **Key Financial Systems:** Audits of the Council's key financial systems including any additional work where External Audit require annual assurance as part of their external audit work programme;
- **Probity & Compliance Audits (schools and other establishments):** Audit of a discrete unit. Compliance with legislation, regulation, policies, procedures or best practice is reviewed.
- **ICT Related Audits:** The review of ICT governance, infrastructure and associated systems, software and hardware;
- **Procurement:** Audits of the procedures and processes for procuring goods, services and works including the letting and monitoring of contracts;
- **Contract Management:** Review of processes in place to ensure that services/goods provided are delivered within the expectations and at the agreed price;
- **Fraud and Ad Hoc Work:** The Corporate Anti-Fraud Service, with the Internal Audit function, will continue to investigate any fraud and irregularity arising during the year. Internal Audit may undertake additional work due to changes or issues arising in-year.

Impact of Covid-19

As a result of the Council's need to focus on responding to Covid-19, the commencement of audit work in respect of 2020/21 has been slightly delayed. This provided an opportunity to review the original Audit Plan and to ensure that appropriate audit coverage can be achieved by including wider use of data analytics and cross-departmental reviews.

In addition, resources are available to proactively support the Council where systems and processes have changed as a result of Covid-19.

Follow Up

Internal Audit will evaluate the Council's progress in implementing audit recommendations against set targets for implementation. Progress will be reported to the Audit and Pensions Committee on a regular basis.

Where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests, Internal Audit will implement the escalation procedure as agreed with management.

Reporting

Internal audit reports the findings of its work in detail to local management at the conclusion of each piece of audit work. Summary reports are also provided to the Audit and Pensions Committee on a regular basis. This includes the annual report of the Shared Services Director for Audit, Fraud, Risk and Insurance which contributes to the assurances underpinning the annual governance statement of the Council.