

# Audit Committee

## Agenda

Tuesday 14 December 2021 at 6.30 pm

This meeting will be held as an informal remote meeting

You can watch live on YouTube: [youtu.be/UwwsX-MfbOQ](https://youtu.be/UwwsX-MfbOQ)

### MEMBERSHIP

Administration	Opposition
Councillor Iain Cassidy (Chair) Councillor Jonathan Caleb-Landy Councillor Rowan Ree Councillor Alexandra Sanderson	Councillor Alex Karmel Councillor Matt Thorley

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# Audit Committee Agenda

<u>Item</u>		<u>Pages</u>
<b>1. APOLOGIES FOR ABSENCE</b>		
<b>2. DECLARATIONS OF INTEREST</b>		
	<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>	
<b>3. MINUTES</b>		4 - 11
	<p>To note the minutes of the previous meetings held on 14 Sep 2021 and 25 Oct 2021 (extraordinary meeting).</p>	
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To note the date of the next meeting on 15 March 2022.

# Agenda Item 3

London Borough of Hammersmith & Fulham

## **Audit Committee Minutes**



**Tuesday 14 September 2021**

*NOTE: This was held as an informal remote meeting*

### **PRESENT**

**Committee members:** Councillors Iain Cassidy (Chair), Jonathan Caleb-Landy, Alex Karmel, Matt Thorley, Rowan Ree and Alexandra Sanderson

### **Officers**

Kim Smith, Chief Executive  
Emily Hill, Director of Finance  
Rhian Davies, Director of Resources  
Lisa Redfern, Strategic Director of Social Care  
Jacqui McShannon, Director of Children's Services  
Tony Burton, Head of Finance – Children's Services and Education  
David Hughes, Director of Audit, Fraud, Risk and Insurance  
Moir Mackie, Head of Internal Audit  
Mathew Dawson, Strategic Finance Manager – Treasury and Pensions  
David Abbott, Head of Governance

### **Guests**

Alan Campbell, Headteacher of Cambridge Special School  
Paul Dossett and Ellen Millington, Grant Thornton (external auditors)

### **1. APOLOGIES FOR ABSENCE**

No apologies for absence were received.

### **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **3. MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting held on 22 June 2021 were noted.

### **4. FINAL AUDIT REPORT - CAMBRIDGE SPECIAL SCHOOL**

David Hughes (Director of Audit, Fraud, Risk and Insurance) introduced the limited assurance report. He noted that the one limited assurance finding related to loans to

staff, originally for the Cycle to Work scheme cycling, but later extended to other areas. The programme had since been suspended.

Alan Campbell (Headteacher of Cambridge Special School) addressed the committee and said the school had stopped the loans in the Summer of 2020 after the issue had been identified internally. He noted the audit report was clear that there was no intention to defraud. All the loans had been repaid in full, bar one which was due to be paid in November of 2021. The school had been transparent and complied with the auditors. All of the recommendations had been implemented and were being monitored by the governing body. David Hughes added that he was very pleased with the response from the school.

Councillor Rowan Ree asked if the late payment of invoice issue flagged in the procurement section of the report was due to an oversight or a cash management issue. Alan Campbell said it was an oversight due to the high level of staff absence during the pandemic.

Councillor Ree noted there had been no contracts out to tender for the financial year and asked if that was a coincidence. Alan Campbell said it was, there were no tenders to report during that period. Robust tendering processes were in place.

Councillor Alex Karmel asked for assurance that the Council had checked with other educational establishments in the borough to ensure the misunderstanding about the Cycle to Work scheme hadn't been repeated elsewhere. David Hughes said the findings of the report had been shared with the schools' finance team.

Tony Burton (Head of Finance – Children's Services and Education) confirmed that any finding from audit reports were fully covered in the Scheme for Financing Schools and were covered in informal workshops with schools' business managers.

Jacqui McShannon (Director of Children's Services) confirmed that the headteacher, Alan Campbell, had been very open and transparent with the Council. She added that Children's Services shared information and learning across the department – including with a new governor support officer to ensure other governing bodies are aware of it.

### **Recommendation**

The Committee noted the Final Internal Audit Report on Cambridge Special School.

## **5. EXTERNAL AUDIT PROGRESS UPDATE**

Emily Hill (Director of Finance) introduced the item. External Auditors Paul Dossett and Ellen Millington (Grant Thornton) then gave a short presentation on the progress report.

Councillor Rowan Ree, asked for more information on the new value for money assessments noted in the report. Paul Dossett said the new approach required commentary on the arrangements in place to address three key areas – financial sustainability, governance, and economy, efficiency and effectiveness – and the adequacy of the arrangements in all three of those areas. In the first year, Grant

Thornton would look to establish a baseline about how the Council engages with internal audit, its counter-fraud arrangements, and its approach to risk management.

Councillor Ree noted that the external auditor's fee was 28 percent (£50k) higher than the previous year and asked if Mr Dossett thought that represented good value for money for the Council. Paul Dossett said the increased fee reflected the increased scope and complexity that the regulator required. The fees were set nationally, the increase was the same across all auditors.

Councillor Ree noted that there had been a fee uplift of 15% due to Covid and asked if that meant there would be a reduction once people were back in the office. Paul Dossett said if things returned to normal there would be a drop in fees.

Councillor Jonathan Caleb-Landy noted there were additional fees of around £30k from overruns. He asked how the auditor was notifying the Council of this and what would stop it happening again. Paul Dossett said they did communicate the overruns to the Council at the end of the process, but in future they would make sure a communication process was agreed with the Council beforehand. He added that it was difficult to pin down specific costs in the middle of an audit though.

Councillor Caleb-Landy asked what the obligations were on the Value for Money recommendations. Paul Dossett said the auditor would expect the Council to address 'key recommendations' but 'improvement recommendations' were the Council's decision.

The Chair asked the representatives from Grant Thornton about the rises in the level of fees and what was driving them. Paul Dossett said the move to more stringent auditing standards was being driven by the risks of internal fraud in the corporate sector. Councils were not incentivised in the same way to produce fraudulent accounts, but still had to comply with the standards.

### **Recommendation**

The Committee noted the progress report and its findings.

## **6. TREASURY MANAGEMENT OUTTURN REPORT 2020/21**

Emily Hill (Director of Finance) introduced the report presenting the Council's annual Treasury Management outturn for 2020/21, in accordance with the Council's treasury management practices. Mathew Dawson (Strategic Finance Manager – Treasury and Pensions) then gave a short presentation on the report.

Councillor Alex Karmel asked if it was correct that the Council's cost of borrowing was 3.76% and its return on investments was 0.26%. Mathew Dawson said as of last year that was correct, but the investment performance would have deteriorated since then because of the stance to stay in cash.

### **Recommendation**

The Committee noted the report.

## **7. RISK MANAGEMENT HIGHLIGHT REPORT**

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report which provided an update on risk management across the Council.

Councillor Rowan Ree noted the climate change risk and asked how officers were determining risk in that area and if there was any best practice to follow. David Hughes said officers looked at work being carried out across London and nationally and the arrangements in place in the borough – both emergency planning to mitigate extreme weather events and efforts across departments to mitigate the Council's carbon footprint.

The Chair asked if the overarching climate change risk would be split up in future. Specific areas like flooding seemed to warrant their own separate entries. He also asked if any claims had been made against the Council related to recent flooding events. David Hughes said the Council worked very closely with Thames Water to actively monitor sewers and drains in the borough to see where there were potential pressures. He noted that Hammersmith & Fulham had seen fewer insurance claims than other boroughs in central London, but it may be a risk in future. The Environment department was looking at a range of mitigate measures to combat flooding.

Kim Smith (Chief Executive) endorsed the idea of disaggregating the climate risks. On the recent floods she noted that the Council had established a monthly Flooding Board which the Strategic Director of the Environment chaired. She offered a briefing on flood preparedness and mitigations to the committee.

**ACTION: Sharon Lea**

Councillor Jonathan Caleb-Landy asked how assured officers were of the Council's planning going into winter with Covid still an active risk in the borough. David Hughes said he was very assured on the Council's planning. Officers were doing everything they could. The Covid risk on the register was marked as high due to the uncertainty around the pandemic.

Lisa Redfern (Strategic Director of Social Care) said there were challenges – a lot more people were coming out of hospital with a great acuity of need and the pressure on care homes to admit was higher. The programme to vaccinate care home staff by 11 November was on track. However, the Social Care risk register had been updated to reflect the heightened worry about this winter.

Councillor Caleb-Landy noted the tragic loss of Michael Sloniowski and asked how the Council's risk function was operating with the role vacant. Lisa Redfern noted that her department held management meetings last week attended by the internal audit team. The Social Care team had kept a close monitor of the risk register and felt it was robust and continually being challenged and revised.

Councillor Alex Karmel asked for information on the funds budgeted or earmarked for Hammersmith Bridge. Emily Hill (Director of Finance) noted that the Bridge was a significant infrastructure and capital asset so any expenditure would come from the capital budget. She noted a recent report for initial stabilisation works. The total costs were £6m but the expectation was that the Council would be able to recoup a third of

the cost from the Department for Transport and another third from Transport for London. Detailed engineering reviews were also being undertaken and as they were concluded a business case would be put forward for further works.

Councillor Karmel noted that there were also significant revenue costs associated with the Bridge. He asked what the likely ongoing revenue costs were.

Emily Hill confirmed there were ongoing costs related to safety, but they had reduced from previous levels. Those costs were being met from contingency budgets.

Councillor Karmel noted that there had been a planning application for a ferry across the Thames which may have led to increased costs for the local authority. He asked if it had been withdrawn, given the Bridge had been reopened to pedestrians and cyclists. Emily Hill said the ferry would be the responsibility of Transport for London, not the Council, and would not place a financial burden on the local authority.

**Recommendation**

The Committee noted the report.

**8. INTERNAL AUDIT PROGRESS REPORT**

Moira Mackie (Head of Internal Audit) presented the report that summarised the work of Internal Audit in the period April to August 2021. She noted that good progress had been made in completing the audit work that started late in the last financial year due to the Covid-19 pandemic. Eight audits had been completed, two of which were substantial audits, and none were limited assurance. Audits in the 2021/22 plan had been delayed but work in several different areas had now started.

The Chair thanked the audit team for their hard work during the pandemic.

**Recommendation**

The Committee noted the report.

**9. DATE OF THE NEXT MEETING**

The committee meeting noted the date of the next meeting: 14 December 2021

Meeting started: 6.30 pm  
Meeting ended: 8.00 pm

**Chair** .....

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# Audit Committee Minutes

**Monday 25 October 2021**

*Note: This meeting was held as an informal, hybrid meeting. You can watch a recording of the meeting at: <https://youtu.be/i0S3lZSB6gg>*

## **PRESENT**

### **Committee members (attended in person)**

Councillor Iain Cassidy  
Councillor Rowan Ree  
Councillor Matt Thorley

### **Committee members (attended remotely)**

Councillor Alexandra Sanderson  
Councillor Alex Karmel

### **Officers**

Kim Smith, Chief Executive  
Emily Hill, Director of Finance  
Jacqui McShannon, Director of Children's Services  
David Abbott, Head of Governance

### **Guests**

Paul Dossett and Ellen Millington, Grant Thornton

## **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Jonathan Caleb Landy.

## **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **3. EXTERNAL AUDIT PLAN FOR YEAR ENDING MARCH 2021**

Emily Hill (Director of Finance) gave a short introduction to the item, then Paul Dossett and Ellen Millington (Grant Thornton) presented the external audit plan. Ellen Millington highlighted key areas of the plan, including the new Code of Audit Practice which would come into effect from audit year 2020/21. The code introduced a revised approach to Value for Money (VfM) involving more extensive reporting and commentary.

Councillor Rowan Ree asked for more detail on the VfM methodology. Paul Dossett said the new code was required auditors to produce commentary on financial sustainability, governance, and economy, efficiency and effectiveness. Auditors were required to assess the Council's processes and arrangements that were in place to maximise value. It would be a separate report that would ultimately go to Full Council.

Councillor Ree asked the auditors if they were confident they had the resources to complete the audit with the current level of fees. Paul Dossett said they were.

Councillor Ree asked for reassurances that the auditors would meet the proposed timetable. Paul Dossett said the audit should be complete by the end of February.

Councillor Karmel asked for reassurances around the rigour of the audit processes given the majority of staff were working from home due to the pandemic. He also asked if property valuations would be distorted by the recent stamp duty holiday. Paul Dossett said remote working had been a real challenge for the audit profession and had slowed the process due to the complexities of remote working. But the relationship with officers had been very positive, and the audit was no less thorough for being remote. In the future he expected audit work to be done partly remotely and partly in person. He added that the Council's officers had been very helpful and had facilitated face-to-face sessions where needed and within the relevant Covid-19 guidelines. Regarding asset valuations, Paul Dossett explained that was a specialist area and the Council had valuers who would take the impact of the stamp duty holiday into account. Grant Thornton also had their own valuer who would assess those assessments and would challenge the judgements made by the Council in that area.

Kim Smith (Chief Executive) addressed the committee and said officers had done a remarkable job working from home and audit work was being completed to the same standards and with the same level of probity.

The Chair thanked officers and Paul Dossett and Ellen Millington from Grant Thornton for their time.

## **RESOLVED**

The Committee noted the External Audit Plan for the year ending 31 March 2021.

#### **4. DATE OF NEXT MEETING**

The Committee noted the date of the next meeting: 14 December 2021

Meeting started: 6.30 pm  
Meeting ended: 6.58 pm

**Chair** .....

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# Agenda Item 4

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Audit Committee

**Date:** 14 December 2021

**Subject:** Treasury Management Strategy: Mid-Year Review 2021/22

**Report author:** Phil Triggs, Director of Treasury and Pensions

**Responsible Director:** Emily Hill, Director of Finance

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### SUMMARY

This report provides an update on the implementation (six months to 30 September 2021) of the 2021/22 Treasury Management Strategy, approved by Council on 25 February 2021 and presents the Treasury Management Strategy 2021/22 mid-year review.

Treasury management comprises the management of the Council's cash balances and borrowing to ensure that funding of the Council's future capital programme is at optimal cost and investing surplus cash balances arising from the day-to-day financial operation of the Council to obtain an optimal return, while ensuring security of capital and liquidity.

This report complies with CIPFA's Code of Practice on Treasury Management, and covers the following:

- a review of the Council's investment portfolio for 2021/22 to include the treasury position as at 30 September 2021;
  - a review of the Council's borrowing strategy for 2021/22;
  - a review of compliance with Treasury and Prudential Limits for the first six months of 2021/22;
  - an economic update for the first part of the 2021/22 financial year.
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### RECOMMENDATIONS

1. The Committee is asked to note the Treasury Management Strategy 2021/22 mid-year review.
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**Wards Affected:** None

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<b>Our Priorities</b>	<b>Summary of how this report aligns to the H&amp;F Priorities</b>
Building shared prosperity	Achieve best value for money in investment and borrowing decisions.
Being ruthlessly financially efficient	Effective management of the Council's cash flow resources.

## **Financial Impact**

This report is wholly of a financial nature.

## **Legal Implications**

There are no legal implications in respect of this report.

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## **Background Papers Used in Preparing This Report**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>
	Treasury Management Strategy Statement 2021/22	Phil Triggs	Tri-Borough Treasury and Pensions

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## DETAILED ANALYSIS

### Proposals and Analysis of Options

#### Background and Treasury Position

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.”

2. This treasury monitoring report covers:

- the treasury position as at 30 September 2021;
- the borrowing strategy for 2021/22;
- the borrowing position at 30 September 2021;
- compliance with treasury limits and prudential indicators;
- the investment strategy for 2021/22; and
- the investment position at 30 September 2021.

3. The Council’s debt, all held with the Public Works Loan Board (PWLB), and investment positions at the beginning of 2021/22 and at the six month point were as follows:

	<b>30 September 2021 (£m)</b>	<b>Rate (%)</b>	<b>31 March 2021 (£m)</b>	<b>Rate (%)</b>
General Fund (GF)	52.8	3.71	52.8	3.71
Housing Revenue Account (HRA)	218.9	3.77	218.9	3.77
<b>Total Borrowing</b>	<b>271.7</b>	<b>3.76</b>	<b>271.7</b>	<b>3.76</b>
Total Cash Invested	340.2	0.04	297.4	0.05
<b>Net Cash Invested</b>	<b>68.5</b>		<b>25.7</b>	

4. The Housing Revenue Account (HRA) is responsible for servicing 80.6% of the Council’s external debt and the General Fund is responsible for the remaining 19.4%.

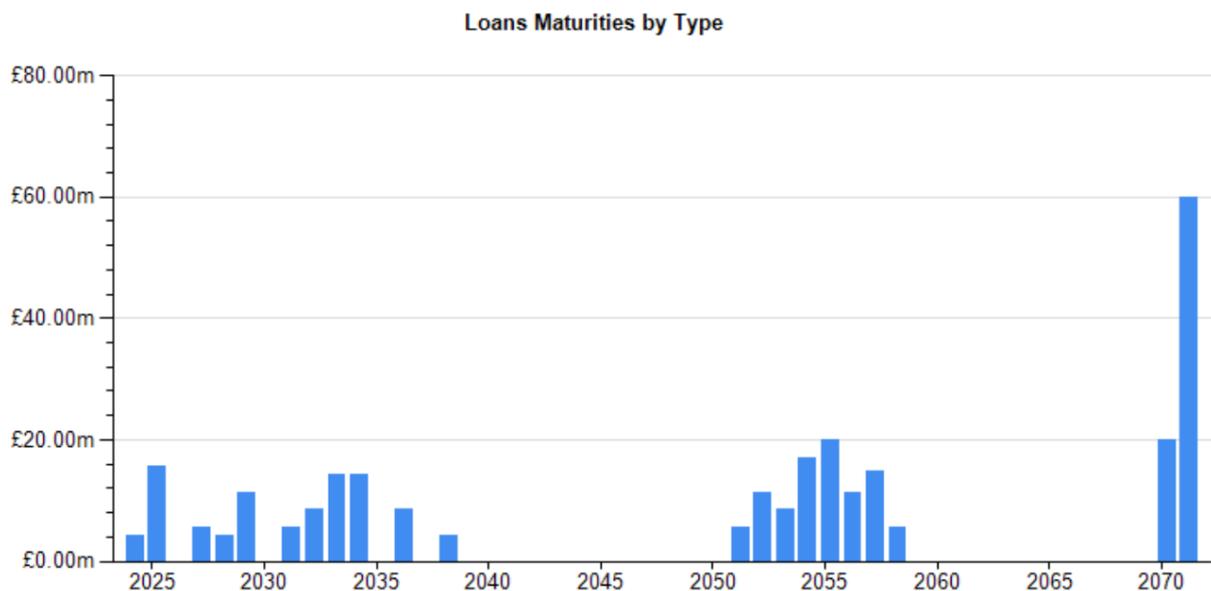
5. The table below shows the split of investments by duration as at 30 September 2021:

<b>Maturity Period</b>	<b>Call (£m)</b>	<b>Fixed (£m)</b>	<b>MMF (£m)</b>	<b>Total (£m)</b>
Liquidity	35.0	0.0	174.6	<b>209.6</b>
< 1 Month	0.0	0.0	0.0	<b>0.0</b>
1 – 3 Months	0.0	0.0	0.0	<b>0.0</b>
3 – 6 Months	0.0	10.3	0.0	<b>10.3</b>
6 – 12 Months	0.0	120.3	0.0	<b>120.3</b>
<b>Total</b>	<b>35.0</b>	<b>130.6</b>	<b>174.6</b>	<b>340.2</b>

6. The Treasury Management Strategy Statement (TMSS) for 2021/22 was approved by Full Council on 25 February 2021. The TMSS has kept investments short-term and invested with highly rated or UK Government backed institutions, resulting in low returns compared with borrowing rates.

### Treasury Borrowing

7. No borrowing has been undertaken or repaid in the first half of 2021/22. Total borrowing therefore remained at £271.7m at an average interest rate of 3.76%. All of the Council's loans are at a fixed rate of interest. The table below shows the debt profile as at 30 September 2021:



8. In the first six months of 2021/22, the HRA PWLB debt of £218.9 million remained below the HRA Capital Financing Requirement (CFR) of £233.1m, which generates internal borrowing of £14.2m. This difference does not, as yet, exceed the value of HRA working balances. HRA reserves and working capital, in excess of internal borrowing, represent cash balances, on which interest is allocated from the general fund. As at 30 September 2021, the HRA held cash balances of £218.9m over and above the £14.2m.
9. As at 30 September 2021, the Council had an under-borrowed position. This means that the capital borrowing requirement 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

	30 Sep 2021 CFR £m	30 Sep 2021 External Debt £m	31 March 2021 CFR £m	31 March 2021 External Debt £m
GF (Excluding DSG funded Schools Windows borrowing)	147.6	0.0	122.2	0.0
GF (DSG funded Schools Windows borrowing)	40.2	0.0	21.5	0.0
<b>Total GF Headline CFR</b>	<b>187.8</b>	<b>0.0</b>	<b>143.7</b>	<b>0.0</b>
Finance leases/PFI	7.8	0.0	8.9	0.0
<b>Total Closing GF CFR</b>	<b>195.6</b>	<b>52.8</b>	<b>152.6</b>	<b>52.8</b>
HRA	258.3	0.0	233.1	0.0
<b>HRA CFR Total</b>	<b>258.3</b>	<b>218.9</b>	<b>233.1</b>	<b>218.9</b>
<b>Total CFR/External Debt</b>	<b>453.9</b>	<b>271.7</b>	<b>385.7</b>	<b>271.7</b>

### Treasury Investments

10. At 30 September 2021, a significant part of the Council's treasury investment portfolio (£340.2m) was held in fixed term deposits with other local authorities, the Debt Management Agency Deposit Facility (DMADF) and bank notice accounts.
11. The TMSS allowed investment in the following areas:
  - an unlimited investment limit with the UK Government (DMO) deposits, UK gilts, repos and treasury bills;
  - up to a maximum of £100m 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 £30m to be invested with any UK Local Authority (subject to internal counterparty approval by the Director of Treasury and Pensions and Director of Finance);
  - no more than £45m to be invested with any individual Money Market Fund;
  - any financial instrument held with a UK bank limited to £70m depending on the credit rating and Government ownership above 25% (limit of £50m);
  - any financial instrument held with a non-UK bank limited to £50m.
12. The investments outstanding at 30 September 2021 amounted to £340.2m invested in short-term deposits. This compares with £299.4m short-term investments at 1 April 2021.
13. The table below provides an analysis of the cash deposits, together with comparisons from the previous year:

	<b>31 March 2019 £m</b>	<b>31 March 2020 £m</b>	<b>31 March 2021 £m</b>	<b>30 Sep 2021 £m</b>
Liquid Deposits	0.0	0.0	0.0	0.0
Money Market Funds	57.9	47.1	133.4	174.6
Notice Accounts	56.0	25.0	35.0	35.0
Custodian Held Assets	0.0	0.0	0.0	0.0
Term Deposits	212.5	137.0	129.0	130.6
Enhanced Cash Fund	0.0	0.0	0.0	0.0
<b>Total</b>	<b>326.4</b>	<b>209.1</b>	<b>297.4</b>	<b>340.2</b>

14. During the first six months of 2021/22, cash balances varied between £304.0m and £330.0m, 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 increased cash balance in the first half of 2021/22 is due to Government grants received for Covid-19 support.
15. The average return achieved on investments managed internally for the first six months was 0.05% compared with the average 7-day money market rate (uncompounded) of -0.08%. Interest rates remained low throughout the period with the Council following a low risk strategy and avoiding potentially higher returns which would increase counterparty risk.

### **Prudential Indicators**

16. During the year the Council operated within the Treasury Limits and Prudential Indicators set out in the TMSS approved by Council on 25 February 2021.
17. The table below provides a breakdown of the indicators and actual position for the year ending 30 September 2021:

Indicator	2021/22 Approved Limit	2021/22 Actual at 31 <sup>st</sup> September 2021		Indicator Met?
Capital Financing Requirement	£481m	£453.9m		Met
Authorised Limit for external debt <sup>1</sup>	£550m	£271.7m		Met
Operational Debt Boundary <sup>2</sup>	£495m			Met
Capital Expenditure	£162m	£134.9m		Met
Ratio of financing costs to revenue stream	GF (0.61%) HRA 6.34%	GF (0.62%) HRA 6.04%		Met
Working capital balance	£0m	£0m		Met
Limit on surplus funds invested for more than 364 days	£120m	£0m		Met
Maturity Structure of Borrowing	Minimum	Maximum	Actual	Indicator Met?
Under 12 Months	0%	15%	0%	Met
12 Mths to within 24 Mths	0%	15%	2%	Met
24 Mths to within 5 years	0%	60%	8%	Met
5 years to within 10 years	0%	75%	8%	Met
Over 10 years	0%	100%	82%	Met

## Reasons for Decision

18. The Council's treasury management activity is underpinned by the CIPFA Code, which recommends that members are informed of treasury management activities at least twice a year.

## Equality Implications

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

## Risk Management Implications

20. The purpose of this report is to present the Council's mid-year Treasury Management Report for 2021/22 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.

<sup>1</sup> 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.

<sup>2</sup> The Operational Boundary is the expected normal upper requirement for borrowing in the year.

21. Risk levels were set in accordance with the approved Treasury Management Strategy Statement (TMSS). 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.
22. 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, both at national and global level, during the Covid-19 outbreak.
23. Implications verified by: David Hughes, Director of Audit, Fraud, Risk and Insurance, tel. 07817 507 695

### **Consultation**

None

### **LIST OF APPENDICES**

None

# Agenda Item 5

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 14/12/2021

**Subject:** Corporate Anti-Fraud Service Half-Year Activity Report – 1 April 2021 to 30 September 2021

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

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### Summary

The Council takes its responsibilities to protect the public purse very seriously and is committed to protecting the public funds that it administers. This report accounts for the fraud-related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2021 to 30 September 2021.

CAFS provides a complete, professional counter fraud and investigation service for fraud attempted or committed against the Council and supports the Council's commitment to preventing, detecting and deterring fraud and corruption.

For the period 1 April 2021 to 30 September 2021, CAFS identified 63 positive outcomes, including eight recovered tenancies. Fraud identified has a notational value of over £330,000.

### Recommendation

1. For the Committee to note and comment on the report.

**Wards Affected:** None

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### 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
Being ruthlessly financially efficient	CAFS supports the Council in its statutory obligation under Section 151 of the Local Government Act 1972 to protect public funds. It contributes to an effective system of fraud prevention and detection. Where financial loss has been identified as a result of fraud, we will always seek to recover this loss either through the civil or criminal process.

## Contact Officer(s):

Name: Andy Hyatt  
Position: Head of Fraud  
Telephone: 020 7361 2777  
Email: andy.hyatt@lbhf.gov.uk

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## Background Papers Used in Preparing This Report

None

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## INTRODUCTION

- 1.1. This report accounts for the fraud-related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2021 to 30 September 2021.
- 1.2. CAFS remains a shared service providing the Council with a complete, professional counter fraud and investigation service for fraud attempted or committed against the authority.
- 1.3. 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 protect public funds and to have an effective system of prevention and detection of fraud and corruption.
- 1.4. During the first six months of this financial year, 2021/2022, CAFS investigated 379 cases, including 95 new referrals, and concluded 76 investigations. A conclusion could mean support of a successful prosecution, successful prevention that stops fraud, a detection that identifies fraud and stops it from continuing, an action that deters fraud, or no further action where there is no case to answer.
- 1.5. The table below shows this activity and details the fraud types that make up the closed and live cases at the start of the second half of the financial year.

Activity	Cases	Fraud types	Closed	Live
Live cases as at 01/04/20	261	Tenancy & Housing cases	59	182
New referrals received	112	Internal Staff	0	2
Closed investigations (Positive outcome 63)	99	High/Medium risk fraud	32	33
		Low-risk fraud	7	37
Live cases as at 30/09/20	274	POCA	1	20

- 1.6. During the first half of the year, activity also included CAFS ongoing support on the distribution of business grants, including the Restart Grants and Discretionary Business Grants. In addition, activity has involved proactive vetting and checking the grant application information that businesses provide and requesting further information and evidence from applicants.
- 1.7. For the period 1 April 2021 to 30 September 2021, CAFS identified 63 positive outcomes. The identified fraud has a notational value of over £330,000 and is

detailed in the following table. The table also compares the achievements against those for the first six months of 2019/20 (pre-pandemic) and 2020/21 (pandemic).

Activity	Half-year 2019/20		Half-year 2020/21		Half-year 2021/22	
	Fraud proved	Notional Values (£'s)	Fraud proved	Notional Values (£'s)	Fraud proved	Notional Values (£'s)
Housing application fraud ( <i>incl. tenancy correction</i> )	2	2,000	-	-	9	18,120
Right to Buy	4	6,000	1	3,500	2	4,700
Advisory Reports (pro-active)	4	15,000	1	5,000	1	3,000
<b>Prevention subtotal</b>	10	23,000	2	8,500	12	25,820
Tenancy Fraud (Council and Registered Providers)	18	259,900	2	32,500	8	103,500
Internal Staff	3	11,500	8	28,000	-	-
Business Grants and Business Interruption Fund (COVID support)	N/A	N/A	24	240,000	32	174,367
High/Medium risk fraud (e.g. NNDR, Blue Badge/Resident Permits)	5	5,000	2	63,500	7	5,936
Low-risk fraud (e.g. Freedom passes, Council Tax, SPD)	5	3,379	6	4,186	4	22,288
<b>Detection subtotal</b>	31	279,779	42	368,186	51	306,091
Proceeds of Crime (POCA)	5	198,177	1	25,000	-	-
Press releases and publicity	-	-	-	-	-	-
<b>Deterrence subtotal</b>	5	198,177	1	25,000	-	-
<b>Total</b>	46	500,956	45	401,686	63	331,911

## 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 2021, CAFS has received no new referrals.

## ANTI-FRAUD AND CORRUPTION STRATEGY

- 3.1 The Council's Anti-Fraud & Corruption Strategy covering 2020/23 is based on five key themes: GOVERN, ACKNOWLEDGE, PREVENT, PURSUE and PROTECT.
- 3.2 The Strategy is designed to heighten the Council's fraud resilience and demonstrate its protection and stewardship of public funds. It contains an action plan to provide management with a tool to ensure progress and transparency concerning counter-fraud activities.

### i) GOVERN

## **A robust framework of procedures and policies**

- 4.1 Minimising any losses to fraud and corruption is an essential part of ensuring that the Council's resources are used for the purposes they are intended and ensuring we remain resilient to the threat of fraud.
- 4.2 A framework of anti-fraud policies is a critical tool in communicating the Council's stance and processes regarding fraud and activity to minimise its risk. Anti-fraud policies also raise awareness amongst staff that response plans have been devised to deal with and minimise the damage caused by fraud.
- 4.3 Therefore, policies must be kept up to date to support and guide Council staff, ensuring compliance with laws and regulations, guiding decision-making, and streamlining internal processes.
- 4.4 CAFS review the key anti-fraud policies, at least annually or when legislation changes, and these are presented to the Audit and Pension Committee for their review and approval. Such action demonstrates to staff a tone from the top and reinforces that the Council takes the threat of fraud seriously and will take the most vigorous possible action against those who commit fraud against the Council.

### **ii) ACKNOWLEDGE**

#### **Demonstrating that it has a robust anti-fraud response**

- 4.5 Counter-fraud activity is reported to the Audit and Pension Committee twice per year, detailing performance and action in line with the Anti-Fraud and Corruption Strategy. The annual performance report also describes the activity, achievements and outcomes against the strategic objectives.
- 4.6 A well-publicised anti-fraud and corruption strategy and framework of policies help build and develop a robust anti-fraud culture. A culture that encourages staff and service users to participate in fraud prevention and to report any suspicions.
- 4.7 CAFS report on investigation outcomes, including successful prosecutions, prevention activity, actions that deter fraud, or no further action where assurance is obtained that there is no case to answer.

### **iii) PREVENT**

- 4.8 In addition to the specialist investigative role, CAFS continue to provide advice and support across the organisation, including the Council's partners and contractors.
- 4.9 This type of advice and support is essential during emergencies such as a pandemic when the fraud threat is higher than at other times for some services. For example, the Business Rates Team and the Business and Enterprise Team processing Discretionary Business Grants.

## **COVID-19 Counter Fraud Work**

- 4.10 Throughout, CAFS has been available to support services impacted by COVID-19, especially at the design stage of new policy and procedures linked to the distribution of funding, services or supplies.
- 4.11 CAFS has provided investigative support throughout the pandemic to check the eligibility of applications for the Local Authority Discretionary Grants Fund, and more recently, Restart Grants. The discretionary fund aimed to support small and micro businesses who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund.
- 4.12 Investigators worked closely with the Business and Enterprise Team to conduct preliminary checks. When the team raised concerns regarding applications, CAFS would verify the details of the businesses applying.
- 4.13 Following investigations, 32 were refused as ineligible, and noteworthy cases are reported in Appendix 1.

## **Corporate Investigations**

- 4.14 Corporate investigations cover a wide range of different counter-fraud activities, including, but not limited to, financial investigations, complex third-party fraud investigations, contractor or employee fraud, or actions and activities that contribute towards a practical assurance framework.
- 4.15 Since 1 April 2021, corporate investigation work has included:
- Parking fraud - CAFS received a concern regarding a "parking free" housing development where it appeared residents had falsely obtained permits. The investigation revealed that the Planning Inspectorate for England and Wales had overturned the parking clause in the planning permission, and residents' permits were now allowed at the address.
  - Planning - An allegation of bribery was received regarding a planning application. A review of the application confirmed that the Council had followed due process, and CAFS found no evidence of wrongdoing.
  - Housing allocations - An allegation was received that claimed insider fraud and the unlawful allocation of council properties. CAFS undertook an extensive review, including data analytics of all housing allocations, but found no anomalies or issues concerning property offers.

## **Housing/Tenancy Fraud**

- 4.16 CAFS provides an investigative service to all aspects of housing, including requests for the succession or assignment of tenancies, allegations of subletting or other

forms of tenancy breaches, as well as the right to buy verification. The objective is to effectively prevent and detect housing tenancy fraud and assure stakeholders that applicants' eligibility for housing services are appropriately verified before being offered a tenancy.

- 4.17 Last year the pandemic disrupted achievements in this service area. In addition, changes to legislation, social distancing restrictions and limited access to courts all affected the number of fraud recoveries. However, as restrictions began to lift and investigators returned to standard operating procedures, there has been an upshift in achievements.
- 4.18 From 1 April 2021 to 30 September 2021, CAFS had successfully recovered eight properties, including a false succession. CAFS also stopped six fraudulent applications for housing and removed three individuals from tenancy agreements for non-residency.
- 4.19 Additionally, in all property recoveries, with just two exceptions, the action culminated in the return of keys and vacant possession without the need for lengthy and costly legal action. This ensured properties could be promptly reallocated to families in genuine need of support.
- 4.20 Full details of all successful recoveries regarding social housing fraud are detailed in the table below, and noteworthy cases are reported in Appendix 1.

Landlord	Location	Postcode	Size bedrooms	Reason for recovery	Outcome
Council	Bathurst House	W12	Studio	Subletting	Surrendered keys
Council	Browning Court	W14	1	Non-residency	Surrendered keys
Council	Swan Court	SW6	2	Non-residency	Surrendered keys
Council	Browning Court	W14	1	Non-residency	Surrendered keys
Council	Phipps House	W12	2	False statement	Surrendered keys
Council	Star Road	W14	1	Non-residency	Surrendered keys
Council	Lillie Road	SW6	2	Subletting	Possession hearing
Peabody	Beatrice House	W6	3	Subletting	Possession hearing

### National Fraud Initiative (NFI)

- 4.21 A vital component of the anti-fraud and corruption Strategy is making better use of information and technology. To this effect, the Council participates in the biennial National Fraud Initiative (NFI), an electronic data matching exercise coordinated by the Cabinet Office.
- 4.22 Over 1,200 public and private sector organisations participate in the NFI, including councils, the Police, hospitals, and nearly 100 private companies, all helping to identify potentially fraudulent claims and errors. The outcomes to date for the 2020/2021 NFI matching exercise are detailed below.

Matches	Fraud/Error	Amounts
Housing Benefits – overpayments recorded by DWP	14	£78,475
Blue Badge Parking Permits – cancelled by Parking	269	£13,450
Resident Parking Permit – cancelled following investigation	6	£936

Common Housing Register – removed following investigation	4	£12,960
	<b>293</b>	<b>£105,821</b>

#### **iv) PURSUE**

- 4.23 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.
- 4.24 Since April 2021, CAFS has been involved in two business grant recoveries where there was clawback of wrongfully claimed small business grants of £25,000 and £10,000. The business had received the payment, but following the post-checking process, it transpired, they were not eligible for the payment. CAFS intervened, and CAFS recovered the amount in full.

#### **v) PROTECT**

- 4.25 This aspect of the Strategy covers counter-fraud activity to protect public funds, saving the Council from fraud and protecting itself from future scams.
- 4.26 CAFS remains an active member of the National Anti-Fraud Network (NAFN), disseminating national fraud alerts that CAFS circulates to the appropriate departments. CAFS also offers support and advice to ensure proper action is taken in response to the warnings and protect the Council and the community from fraud.
- 4.27 CAFS also works with various social landlords and statutory agencies to help detect fraud and ensure that those living in affordable housing across the borough are correctly entitled.

#### **List of Appendices:**

Appendix 1 – Counter-fraud activity, including noteworthy cases.

#### **CONSULTATION**

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

#### **EQUALITY IMPLICATIONS**

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

#### **LEGAL IMPLICATIONS**

- 7.1 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.

## **FINANCIAL AND RESOURCES IMPLICATIONS**

- 8.1 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.

## **RISK MANAGEMENT**

- 9.1 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.

Case Description	
1.	<p><b>TENANCY FRAUD</b> - Housing initially referred this case to CAFS in July 2020 when they became suspicious that a two-bedroom flat in Swan Court, SW6, was being sublet by the tenant.</p> <p>The tenant had contacted housing to inform them that she was currently in Canada for the last few months. She was ill and receiving treatment. She asked if her carer could pay the rent on her behalf.</p> <p>Council records showed that a carer had been declared at the property. But concerned with some of the information provided by the tenant, CAFS undertook several background checks, including records of her travel movement. Data showed that she left the UK in March 2019, not “a few months ago” that she had initially claimed.</p> <p>Investigators managed to trace her Canadian address and obtained a telephone number.</p> <p>Investigators contacted the tenant, and after a lengthy conversation, the tenant confirmed she was not returning to the UK and agreed to terminate her tenancy. She sent her a vacation notice via e-mail a few days later, and the Council obtained vacant possession of a two-bedroom flat.</p>
2.	<p><b>COVID BUSINESS GRANT</b> - The Council received an application for several Covid Business Support Grants from a trader based in Shepherd's Bush Market. The applicant claimed to have two units operating there.</p> <p>Due to several discrepancies, the case was referred to CAFS, who commenced enquiries to verify the grant application details.</p> <p>Initially, investigators reviewed the business's financial status and found that the primary bank account contained no transactions between March 2019 and December 2020. However, the profit and loss did not reflect this and detailed revenue over £75,000. Furthermore, the investigation failed to find any evidence of the business trading in any form. There is no evidence of trading activity in the market and no evidence of any virtual trading (due to lockdown) from any website.</p> <p>CAFS could not verify the information provided on the application; the details provided were false, and Business Rates agreed with the CAFS recommendation to refuse all grants applications made by the business.</p> <p>CAFS action had prevented a potential fraud of over £12,000 – this figure comprises of six stopped grants for this business; Four Local Restrictions Support Grant (£6,193), one Closed Business Payment (£4,000) and one Restart Grant (£2,667).</p>

3. **TENANCY FRAUD** - CAFS commenced an investigation following a referral from a housing officer, who was concerned that they had not been able to contact the tenant of a two-bedroom property in Phipps House, W12. Despite several attempts, the officer was worried that the only person who appeared to be a resident was the tenant's grandson.

Initial enquiries could not link the elderly tenant to the address, so the investigator visited the property. The visit was unsuccessful, but neighbours said they had never seen an elderly lady, just a gentleman who lived alone.

While the case was under investigation, the tenant passed away in Somalia, and her grandson made an application to succeed the tenancy. However, the investigation had also found anomalies. For example, the tenant held a UK passport from May 2010, but the investigators could not find a travel record since the UK Border Agency first collected data back in 2013. Therefore, how did she get to Somalia if the tenant had just died in Somalia, verified by a Somalian death certificate? The data suggested that she must have left the UK before 2013.

Investigators interviewed the grandson about his succession application, but he could not provide a plausible explanation. He claimed his grandmother left for Somalia in September 2017, but he could not confirm which UK airport she flew from, which airline she travelled with or who she was staying with when she got there. He confirmed that nothing was left in the flat belonging to her, as she took what she had with her.

He was asked about his grandmother's life in the UK over the last ten years. When asked about her doctor, dentist and optician, he stated that she had not visited any because she always had perfect health. Likewise, she had not met with any hospital, old age organisations or social services professionals.

He said she had a Santander bank account, but again, this would not have been used in at least six years, as he did her shopping for her. He was asked for confirmation for anyone or any organisation that could vouch for her residency in London over the last ten years, but he could not offer any answers.

At the end of the interview, the investigators made further enquiries with the Department for Works and Pensions, who confirmed that the tenant's Pension Credit ended in March 2016.

The Council commenced repossession, which the grandson disputed, culminating in a hearing at Willesden County Court in 2020. The Judge awarded outright possession to the Council and ordered the defendant to pay the Council's costs of £6,633. The Judge did not believe the grandson's defence, including his assertions that his grandmother had withdrawn her benefits to avoid scrutiny. The Judge was satisfied that the tenant had left the UK pre-2013 with no intention of returning, and therefore there was no legal tenancy to be succeeded.

Due to the pandemic, the Government suspended all evictions; eventually, the Council recovered the property in September 2021.

4.	<p><b>HOUSING ALLOCATIONS</b> - An allegation was received in January 2021, which suggested insider fraud and the unlawful allocation of council properties.</p> <p>CAFS undertook data analytics of all allocations covering the period February 2020 to February 2021. The analysis found that no anomalies or issues were arising concerning property offers for Council stock.</p> <p>Further analytics involved cross-referencing all nominations against the priority banding data sets to ensure details were correct. The review assured that no one had fraudulently inflated applicants' details during processing to fraudulently fast-track them ahead of higher priority nominations. All nominations matched their priority banding.</p> <p>The enquiries carried out as part of this investigation have been unable to find evidence to support or corroborate the allegations.</p>
5.	<p><b>RIGHT TO BUY (RTB)</b> – A RTB application was referred to CAFS following a joint application for a property in W14. The application was from the tenant and her daughter, both claiming they were residents.</p> <p>To support the Council's Home Buy team, CAFS provide due diligence checking and review RTB applications. In this instance, finance checks linked the daughter to an address in Maidstone where she owned property and was liable for council tax.</p> <p>The daughter was asked to provide further information to confirm her LBHF residency, but the tenant contacted Home Buy to withdraw the application ahead of any reply. CAFS took no further action.</p>
6.	<p><b>COVID BUSINESS GRANT</b> – The Additional Restrictions Grant (ARG) provides local authorities with grant funding to support businesses severely impacted by restrictions. The Council can determine which companies to help and provide funding from the ARG scheme.</p> <p>An application for a business located in Sullivan Road was referred to CAFS to verify as part of the due diligence process. The application stated that trading had been severely affected by Covid restrictions resulting in a loss of income.</p> <p>A review found that the business had several bank accounts with different financial institutions that were not declared on the grant application. A study of all accounts showed that between the financial years 2019/20 and 2020/21, the business's revenue had increased and that there was no evidence to support the application.</p> <p>Based upon CAFS findings, the application was deemed ineligible.</p>

7.	<p><b>COVID BUSINESS GRANT</b> - Local Authorities were responsible for administering the business grant schemes announced in the Government Covid support strategy. Under the Small Business Grant Fund (SBGF), businesses are eligible for a payment of £10,000.</p> <p>During the review and reconciliation of payments, it transpired that a business located in Wood Lane, W12, had received two payments under the SBGF. Initial request to return one of the payments was unsuccessful, and the matter was referred to CAFS to assist.</p> <p>After reviewing the payment and confirmation from the relevant banks that the amount had been credited to the business account, CAFS tried unsuccessfully to engage with the business.</p> <p>CAFS then approached the business owner direct and reminded them that the Council had made the payment in error and that Business Rates had informed them of this. Furthermore, if the business continued to keep the funds, they would be committing a criminal offence under the Theft Act 1968 (retaining a wrongful credit).</p> <p>On 10 April 2021, the Council received the repayment of £10,000 in total, and the case was closed.</p>
8.	<p><b>COVID BUSINESS GRANT</b> - A case was referred by the Business Rates team, who had received information that an antique shop in Wandsworth Bridge Road had been opening regularly during the lockdown. However, they had applied for and received a grant allocated to businesses closed by the Government restrictions.</p> <p>A subsequent investigation by CAFS revealed the business had been operating during the lockdown restrictions and found evidence of financial transactions for furniture sales.</p> <p>When challenged, the business stated they do not keep records of their customers or what they buy, which seems implausible for such a business. They explained that they were only open for collection during the lockdown, as they had taken the opportunity to carry out painting and repairs to the stock.</p> <p>CAFS investigators visited the premises and confirmed that the shop was open for business and trading. These findings were presented to the Business Rates team, who decided that the business had breached the conditions and failed the Local Restrictions Support Grant criteria. CAFS sent a letter detailing the investigation, findings, and a request to repay the grant fully. Shortly afterwards, the business repaid the funding in full.</p>

**9. TENANCY FRAUD** - CAFS received an allegation that the tenant of a one-bedroom property in Star Road, W14, was living overseas and subletting the tenancy.

Initial checks of the tenant's finances failed to find evidence suggesting rental payments linking it to a sublet. However, it showed all the transactions had taken place in Indonesia.

Further enquiries revealed the tenant left the UK in 2018, and there was no evidence he had returned. However, financial transactions linked him to a payment to an airline who confirmed that the subject had boarded a one-way flight to Indonesia on 30 May 2018.

CAFS presented evidence to the Council's legal services, who began recovery action and obtained an uncontested possession order from the courts in August 2021.

**Report to:** Audit Committee

**Date:** 14/12/2021

**Subject:** Mid-Year Report on Health and Safety at Work 2021 / 2022

**Report author:** Paul Barton, Head of Corporate Safety

**Responsible Director:** Jonathan Pickstone, Strategic Director of Economy

### SUMMARY

This report is the mid-year update on the council's health and safety at work management.

### RECOMMENDATIONS

1. That the committee note the health and safety at work performance of the council at the halfway stage of this financial year 2021/2022.

**Wards Affected:** All wards

H&F Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	Good health and safety performance has the goal of eliminating and reducing workplace accidents. Accidents come at a cost (human and financial) both to the council and to the injured person. A shared prosperity between the organisation, the employee and the residents is achieved by the elimination and reduction of accidents in the borough.
Creating a compassionate council	Good health and safety management has a moral objective. To learn of family, friends, colleagues or residents killed, or seriously injured, in a workplace accident is profoundly distressing. Therefore, a compassionate council must embrace the moral aspect of health and safety at work, not merely the economic and legal aspects of it.
Doing things with local residents, not to them	Good health and safety at work performance includes the safety of the

	residents with whom the council interacts in the everyday aspects of our core business activities.
Being ruthlessly financially efficient	Good health and safety management is financially efficient because it prevents fines for breach of statutory duty or settlement of civil claims brought against the council.
Taking pride in H&F	The council takes pride in a good health and safety at work performance because it reflects the image of the borough as portrayed to the residents and to others.
Rising to the challenge of the climate and ecological emergency	Good health and safety management plays a part in tackling the climate emergency in many ways. For instance, the requirement to seek less hazardous workplace substances for employee health also has ecological benefits when, for example, replacing solvents with water-based products during COSHH assessment review.

### Financial impact

There are no direct financial implications as a result of this report. Revenue budget is allocated for the training of safety responders (Nominated first-aiders, fire evacuation officers, evacuation chair operators) which is coordinated by the Corporate health and safety team.

Health and safety induction training is funded for all employees and coordinated through the 'Be-online Awaken' software program.

Where specific health and safety training is identified through risk assessments, this is funded by the respective departments and they are expected to make hold suitable budget provision.

### Legal implications

*'Except in such cases as may be prescribed, it shall be the duty of every employer to prepare and as often as may be appropriate revise a written statement of [the] general policy with respect to the health and safety at work of [the] employees and the organisation and arrangements for the time being in force for carrying out that policy and to bring the statement and any revision of it to the notice of all of [the] employees'. (Health and Safety at Work etc. Act 1974. section 2(3)).*

The policy statement, signed by the leader and the head of paid service, is displayed in all LBHF workplaces. The statement is valid until 2023, unless a change in head of paid service or leadership occurs first, in which case the statement must be renewed sooner. The organisation and arrangements for health and safety at work in LBHF are within the council's health and safety policy and can be found on the intranet.

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## Contact Officer

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Verified by: Emily Hill, Director of Finance

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## 1. Analysis of progress to date on this year's key priorities

**Fire safety:** A review of the fire safety management policy is underway in preparation for the Building Safety Act, which is expected to receive royal assent next year. A new regulator has been appointed and will operate as part of the health and safety executive (HSE). The new law will prompt a major revision of the regulatory reform (fire safety) order 2005. A working group of relevant council officers from various directorates will lead consultation on the policy review from October 2021, reporting to the health and safety board. The group is likely to discuss the appointment of an over-arching third-party independent consultant. This will deliver high level assurance on fire safety management across all council services, including the 'information gateways' required by the new regulator that ensure a 'golden thread' of information about council buildings.

**Coronavirus:** Hammersmith and Fulham (H&F) workplace cases rose slightly in number during the summer months after a general lull during the spring. However, this was not of significance and the cautious approach continues to ensure infection controls remain in place in H&F buildings. Services must still present their case for returning to frontline operations at the technical assurance group and then receive assent from the covid-19 board. Changes in law for employees in care homes came into force on 11<sup>th</sup> November, whereby employees must have received both vaccinations unless medically exempt. Templates for service risk assessment and individual risk assessment have been amended to reflect this, as well as other changes such as regular testing of staff working in the borough as part of general risk management. Infection control training for all employees was made available during October. This was a pre-recorded session on the intranet, but with the offer of a question and answer session for staff by the infection control nursing officer at the popular 'Wellbeing Wednesday' slot.

**Training:** A revised health and safety training policy was presented for consultation at health and safety board on 9<sup>th</sup> September 2021. The aim is a

consolidated corporate policy with clear guidelines on levels of training required across all employment groups within the council. The policy is on target for introduction this year.

**Driver safety management:** A new software management system is being scoped with the digital service project team. It is tailored to last year's working group specifications and recommendations from the council's insurer. Progress is currently on target.

**Risk profiling:** This continues on target with service profiles broken down for analyses to achieve an overall organisational profile. This 'benchmarking' work informs key performance indicators for the next financial year and links into the corporate risk register (risk 32).

**Work-related stress:** A stress indicator tool (software program) is being procured. Using the HSE management standards six 'stressors' criteria, the indicator tool will anonymously analyse the type and extent of work-related stress risk across services through a series of 34 questions, thereby aiding stress risk assessment. As with all risk assessment training, manager training for stress risk assessment will be provided by the corporate health and safety team. Progress is currently on target.

**Training and assessment for working in the home environment:** Display screen equipment assessment and training remains behind schedule at present. A manager's forum in October provided training to all managers in use of the software program to ensure they are able to monitor and review employees within their respective teams that are working from home. A guidance document for all staff on hybrid working has been drafted for the Hello hybrid future launch as part of the workplace transformation programme.

## 2. **Accidents, injuries and near miss incidents (excluding schools)**

There have been 86 incidents to date<sup>1</sup> this year, 23 of which were injuries and 63 of which were near-miss incidents. Of the 23 injuries 3 were reportable to HSE, each being injuries that caused and absence of more than seven days as a result. The first HSE reportable injury was an assault on an officer in housing services, the second was an assault on a civil enforcement officer and the third was a trip and fall. Two incidents occurred in July and the third in October. In the assault incidents the assailants are being prosecuted by the police for causing actual bodily harm.

Work continues on messaging within the borough to help prevent violence and aggression towards H&F staff and a number of initiatives will be delivered by the end of the financial year. In the case of the trip and fall injury, which occurred in the street, the area was examined and there was no defect with the kerb over which the employee fell. A new safety incident reporting 'portal' is now operational and reveals that 110 days have been lost so far this year due to injury sustained at work. These statistics now automatically include community schools.

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<sup>1</sup> At 8<sup>th</sup> November 2021

Safety incident data in schools is reported to the headteachers meeting annually and to teaching staff representatives at the LBF trade union forum.

**3. Operational performance review**

The table below shows that at the end of the second quarter this year there are fewer outstanding items on the operational risk register compared to last year. While completion of items was down a little in terms of percentage, the overall percentage of remedial actions with target dates that had been missed shows a reduction, indicating a faster turnaround by services of remedial actions identified through health and safety monitoring (both active and reactive). A detailed copy of the register, which is protectively marked, for the end of quarter 2 is available to elected members via request to the corporate health and safety service. A full review of performance during this financial year will be included in the annual health and safety at work report.

	<b>2021 / 2022 End of Q2</b>	2020 / 2021 End of Q2
Items on the risk register	<b>46</b>	60
With target dates missed	<b>16</b>	22
Items completed	<b>16</b>	28
Items completed on target	<b>9</b>	15
Percentage total complete in Q2	<b>34.8%</b>	46.7%
Percentage with target dates missed in Q2	<b>34.8%</b>	37%

Table 1. Comparison of second quarter entries on the operational risk register: this year with last year

**4. Equality, diversity and inclusivity (EDI) implications**

Corporate health and safety continue to support the EDI agenda through workplace assessment for reasonable adjustment and in the formulation of personal emergency evacuation plans for disabled colleagues.

# Agenda Item 7

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 14/12/2021

**Subject:** Risk Management Highlight Report

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

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### Summary

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

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### Recommendation

1. For the Committee to review, note and comment on the report.
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**Wards Affected:** None

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H&F Values	Summary of how this report aligns to the H&F Values
<ul style="list-style-type: none"><li>• Building shared prosperity</li></ul>	<i>Good risk management helps to: maintain and promote the Council's reputation;</i>
<ul style="list-style-type: none"><li>• Creating a compassionate council</li></ul>	<i>Is an enabling tool to help protect residents and staff including some of the most vulnerable in society;</i>
<ul style="list-style-type: none"><li>• Doing things with local residents, not to them</li></ul>	<i>Place people, businesses and the wider community at the heart of everything we do;</i>
<ul style="list-style-type: none"><li>• Being ruthlessly financially efficient</li></ul>	<i>Ensure robust financial and information management and supports internal control, opportunity and innovation;</i>
<ul style="list-style-type: none"><li>• Taking pride in H&amp;F</li></ul>	<i>Protect valuable assets and the built and natural environment.</i>
<ul style="list-style-type: none"><li>• Rising to the challenge of the climate and ecological emergency</li></ul>	<i>Enabling an approach to climate-sensitive decision making</i>

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### 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. 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 verified by Rhian Davies, Director of Resources

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## **Contact Officer:**

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Position: Director of Audit, Fraud, Risk and Insurance

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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.

## **Background**

1. To achieve the ambitions, outcomes and priorities set out in our Business Plan, it is essential that we continue to understand, manage and communicate the diverse range of risks and challenges that could threaten the organisation and vital services. Risks originate from a variety of sources, many of which are out of our direct control for example global events such as the coronavirus pandemic, Brexit, economic or market shocks, austerity or from climate change. More localised incidents can impact on residents, individuals, services and infrastructure.
2. 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 source of robust and additional assurance for the management of risk across its services.

3. 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.
4. 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 take advantage of potential opportunities to improve services whilst continuing to provide better value for money for residents, visitors, local businesses and service users.
5. The Council is accountable to the public for its performance and financial management. This means that the Council naturally has a low appetite for risk, however as austerity 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.
6. As part of its governance arrangements, 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.
7. The Council has robust risk management arrangements in place which feed into the Corporate Risk Register, which is set out in Appendix 1. This register contains the most significant cross-cutting risks that could impact on the outcomes that are set out in the Council's Priorities. These risks can be internal or external facing.
8. Internal risks relate to the organisation itself and cover areas such as programmes, workforce, business continuity, safety or technology. External risks are those that can affect the local area, its people, communities, businesses and infrastructure where the Council often has a role, in partnership, to mitigate them.
9. Risks relating to the Covid Pandemic remain under close review, particularly in light of the recent emergence of the Omicron variant of concern and the ongoing efforts to increase vaccination rates as well as promoting and encouraging uptake of the vaccine booster. This report provides the Committee with an updated Corporate Risk Register, presenting a suite of risks as reviewed by the Council's Strategic Leadership Team.

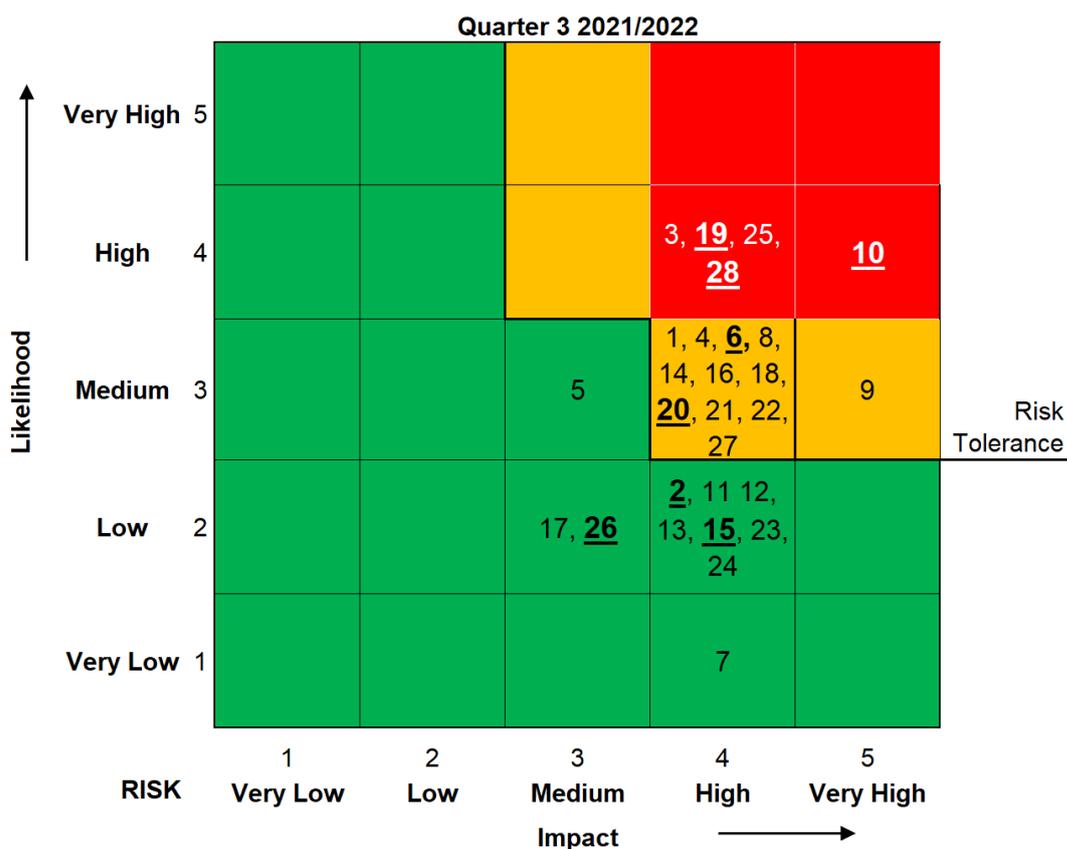
### **Changes since September**

10. At its meeting on 1 December 2021, SLT Assurance agreed that Risk 17 (Digital Accessibility) should be closed due to the further reduction in the risk rating resulting in the actions which had been taken. This risk will be removed from future reports.
11. Two risks have had their rating increased since September: Risk 6 has increased due to the Covid impact on the performance of timely completion of EH&C plans and Risk 10 due to the recent increase in the UK Terror Threat Level to Severe.
12. Two risks have had their rating reduced since September; Risk 15 due to effective assessment planning and review and rigorous oversight for placements by the resource panel and Risk 26 due to the approval and adoption of the climate strategy by Cabinet and recruitment to posts in the Climate Emergency Unit, leading to a number of actions being commenced.
13. One new risk has been added, Risk 28 where alternative mitigations are being considered and to minimise the delay to the Civic Campus programme and the outcome of ongoing discussions may result in this risk being reduced in the coming weeks.
14. Two risks have been split out since September to provide greater clarity on the risks identified the mitigations in place or planned. What was previously Risk 5: "Failure to maintain services to residents in the event of significant events/incidents where business resilience risks (systems, processes, resources, IT) may be compromised" has been split out to focus on the risk of failure in business continuity plans (Risk 2) and the risk of failure in IT Disaster Recovery arrangements (Risk 3). What was previously Risk 30: "Financial Management - in year budget 2021/2022 and Medium-Term Planning: Social Care" has been split out to cover the overall risk of corporate funding pressures (Risk 19) and the specific budget pressures being managed in Social Care (Risk 20)
15. As two of the risks reported in the previous quarter have been split out and other risks had previously been closed, the risks shown in Appendix 1 have been renumbered so they are sequential.

### **Corporate risk register – heat map**

16. The Corporate Risk Register is set out in Appendix 1 and summarised in the following Heat Map as at Quarter 3 for 2021/22. Risks which have been subject to change since the Quarter 2 Risk Register was reported to the Committee in September 2021 are shown in the larger bold underlined type:

## OVERVIEW RISK HEAT MAP



### Risk appetite

17. 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 continued through a second successive wave the Council needed to take carefully considered risks and develop new and innovative ways to continue to deliver services, support and ensure the long-term wellbeing of communities is not impaired by decisions made in the short term. This makes good risk management essential.
18. This report provides assurance on the council’s corporate risk management arrangements, explaining the internal control arrangements in place at a strategic level. It provides one of the sources of assurance the Committee can consider when approving the Annual Governance Statement. It also enables the Committee to fulfil its roles under the Committee’s Terms of Reference to review the adequacy of council’s Corporate Governance arrangements, including matters such as internal control and risk management.

### Key controls in place to manage ongoing Covid risk

19. The council continues to respond 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. Vaccination, testing, tracing and managing outbreaks and community transmission are essential components in the response to the virus. Work continues to encourage greater take up of vaccinations and, for those who have already been vaccinated to receive the vaccine booster. Effective communications have been central to encourage everybody to take the required

steps to help themselves and keep others safe whilst Covid-19 remains in circulation.

20. The current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions. The impact of Covid-19 on the economy is being felt by businesses and residents resulting in an increase in demand of services and significant reductions in income realised by the Council. Whilst every possible effort is being made to protect front line services the position remains challenging and may not be sustainable, particularly with the recent emergence of the Omicron variant of concern.

### **Conclusions**

21. Local authorities will continue to face significant pressures over the coming months responding to the ongoing Covid-19 pandemic combined with financial pressures and the other concurrent demand led pressures. Council Officers and services continue to respond with all partners to changing circumstances at pace, interpreting and implementing new guidance and regulations as they arise.

### **List of Appendices:**

Appendix 1 – Corporate Risk Register

**Appendix 1 - Corporate Risk Register – December 2021**

Priority	Risk	Risk No. *	Q2 21/22 Likelihood	Q2 21/22 Impact	Q3 21/22 Likelihood	Q3 21/22 Impact	Current position	Residual Exposure	Status	Lead Director/ Risk Owner
Being ruthlessly financially efficient	Commercial, contract management and procurement risks, rules, outcomes, social value, management of spend and contractor performance management.	1 (3)	3	4	3	4	Work continues in support of the Ruthlessly Financially Efficient Action Plan. Atebios (Cardiff City Council) carried out a Peer review of the Council's operating model for Commissioning and Procurement and recommended that the Procurement function is centralised. Actions are now being taken to centralise the Service. The Corporate Procurement Team are reviewing contract expenditure and sample checks on goods receipting is taking place. The Contracts Assurance Board meets weekly, compliance with governance, legislation, the Council's Social Value Policy and RFE are reviewed.	M	Stable	Rhian Davies
Being ruthlessly financially efficient	Failure to maintain services to residents in the event of significant events/incidents where business resilience risks (systems, processes, resources, IT) may be compromised.	2 (5)	n/a	n/a	2	4	The Council must remain vigilant and ensure business continuity plans are robust, particularly in the event of contractor failure or Public Health issue. All Service departments are required to review, and refresh plans periodically, including in respect of the Coronavirus pandemic and threat of an act of terrorism in London. Where services have updated continuity plans, they will be reviewed by the Emergency Planning Team. The recent alerts from the Cabinet Office and Public Health England result in the risk levels increasing.	L	Stable	Sharon Lea
Being ruthlessly financially efficient	Failure to maintain services to residents in the event of IT systems being compromised and affecting service resilience.	3 (5)	4	4	4	4	The Council continues to monitor and mitigate external risks which may affect its IT systems, including attempts to breach our network through cyber-attacks, on-going security patching, the robustness of our supplier chain and overall disaster recovery provision. A report on cyber security arrangements was provided to the Committee in June 2021 and a report on ransomware to SLT in November 2021. Digital services are facilitating Ransomware mitigation workshops October-December 2021 with service leads to provide advice and prompt consideration of alternative options actions to take in the event of IT systems being unavailable. This will both inform Digital Services' disaster recovery plans and assist services to update business continuity plans where appropriate.	H	Stable	Rhian Davies
Being ruthlessly financially efficient 44	Information management and digital continuity, regulations, legislation and compliance.	4 (6)	3	4	3	4	The nature of the Council's business activities means that there are ongoing information governance risks, including cyber security risks and IT network security, which continue to require careful management. These risks are managed through a range of organisational measures including Information Management (IM) & Information security (IS) mandatory training, maintenance of policies, guidance documents, standards, and codes of practice. The Council deploys technical measures to protect its network and infrastructure, including technical controls to prevent malware attacks, account compromises and risks associated with data transfers. The Council continues to monitor the regulatory environment to ensure continued compliance with information governance obligations.	M	Stable	Rhian Davies
Creating a compassionate council	Managing statutory duties, equalities, human rights, duty of care regulations, highways. * Health and Safety moved to new Risk 32	5 (7)	3	3	3	3	The Chief Executive chairs the Statutory Accountabilities Board, whose membership includes the Director of Resources, Director of Children's Services, Director of Social Care and Director of Public Health. The remit of the Board is to review and consider the Council's compliance with its statutory duties.  The potential for ongoing changes in the regulatory environment post-Brexit are kept under review, with reporting taking place to SLT and Finance PAC.	M	Reduced	ALL SLT MEMBERS
Creating a compassionate council	i) Standards and delivery of care, protection of children and adults and associated data quality and information risks. ii) Reliance on external assurance providers and providers to identify and communicate issues arising from inspections e.g., Ofsted and Care Quality Commission	6 (8)	3	3	3	4	The last Ofsted inspection of Children's Services were judged as 'Good' across all four areas. Post Ofsted inspection action planning continues and performance improvement activity is integral and BAU.  As a result of the impact of COVID the LA has experienced a significant drop in performance against statutory deadlines in completing Education Health and Care Plans, this is reported annually via the SEN2 data return. This drop in performance is being addressed through a focussed programme of activity which will see a return to pre-Covid performance for 2022- 2023. There is a risk that this drop in performance could trigger an early Local Area SEND Inspection.  Children's Placements receive regular intelligence directly from Ofsted and or regional partners on concerns and or judgements following regulatory inspections. This information is routinely cross checked against children we may have in Placement with external providers, and actions plans put in place where necessary to address and or mitigation concerns. The Placements team was disaggregated and brought back in house.  The Council is partly reliant on the performance of external bodies, undertaking reviews of establishments and that all issues are communicated to them for action in a timely manner. An external inspection regime RAG rating monitor is included in the quarterly dashboard to SLT Assurance.	M	Increased	Jacqui McShannon/ Lisa Redfern

**Appendix 1 - Corporate Risk Register – December 2021**

Priority	Risk	Risk No. *	Q2 21/22 Likelihood	Q2 21/22 Impact	Q3 21/22 Likelihood	Q3 21/22 Impact	Current position	Residual Exposure	Status	Lead Director/ Risk Owner
All Council Values	Decision making and maintaining reputation and service standards. Good Governance, conduct, external inspections.	7 (11)	1	4	1	4	<p><i>Governance and decision-making framework:</i> The Constitution and associated documents, including codes of conduct, are subject to regular review and approval by Members. SLT review corporate policies and strategies.</p> <p><i>Staff training and induction:</i> Corporate induction training is provided to new starters, staff and for managers. Decision making training is being refreshed, Transformation, talent and inclusion maintain and provide a range of training activities covering HR policies. A range of training on other council policies is provided, including: Health and Safety, information security and data protection, fraud and corruption.</p> <p><i>Organisational performance and programme management:</i> A quarterly performance dashboard monitor is prepared and presented to SLT Assurance and Members. A Programme Management Office and PMO framework are in place. The PMO provide monitoring and support to major programmes access the council and report to SLT. The Commercial Assurance Board undertake monitoring and endorsement authorisation of directly awarded contracts, and review compliance with governance and decision-making thresholds for procurement decisions.</p>	L	Stable	Rhian Davies
Being ruthlessly financially efficient	Failure to identify and address internal and external fraud.	8 (12)	3	4	3	4	<p>Policies are reviewed annually at Audit and Pensions Committee. Refreshed Fraud Response Plan, Anti-Money Laundering and Bribery Policies have been reviewed and were presented to the Audit Committee in June 2021. The Council's Anti-Fraud and Corruption Strategy spans 2020-2023 and contains an action plan to provide SLT with a tool to ensure progress and transparency regarding counter-fraud activities. Performance is reported to both the Audit and Pensions Committee and SLT to demonstrate how counter fraud work aligns with the Strategy and contributes to the Council's overall fraud resilience. Fraud Awareness training is available on the Learning Platform to all staff and a bespoke course was assigned to staff in the Social Care department. The Corporate Anti-Fraud Service has been available to support services impacted by COVID-19.</p>	M	Stable	David Hughes
Taking Pride in Hammersmith & Fulham, Doing things with, not to residents	Failure to ensure compliance with the statutory duties to undertake inspection regimes covering management of asbestos, electrical testing, fire risk, plant and equipment, water testing/Legionella.	9 (14)	3	5	3	5	<p>Overall compliance reporting of 73 buildings that Property and FM directly provides FM support to as well as a summary of its 6 legally required statutory compliance modules consisting of Fire Management; Electrical; Mechanical; Lift and Lifting Equipment; Occupational Health and Environmental and Energy Management covering in total of 35 workstreams carried out and managed by Property and FM.</p> <p>Housing stock remains compliant across key areas - gas, electrical safety, water, gas, asbestos etc – monthly rolling monitoring programme in place. Monthly Contract meetings remain in place with all contractors and reported to senior management teams. Annual review of repairs contract in train. United Living, repair contractor for largest lot, exited on 31 Oct 2021 and reserve contractor, Morgan Sindall in place. Working with Erith, asbestos removal contractor, for mutual exit, performance issues being monitored. Risk based assessment in place for 27 buildings over 18+ metres with combustible spandrels/infill panels. Data on DELTA for MHCLG. Works scoped and phase 1 in progress. Compliance based capital works, including fire door upgrades, sprinkler installation, dry riser installation etc continue. FRA works (7,000+) via DLO continue with estimated two-year completion date. Programme of lone working training &amp; devices continues to be rolled out to officers.</p>	M	Stable	Jonathan Pickstone
Taking Pride in Hammersmith & Fulham, Doing things with, not to residents	Co-ordination and response to calls on the Council for Mutual Aid in a crisis and emergency planning response	10 (15)	3	5	4	5	<p>The UK Terror Threat Level has recently been raised to SEVERE meaning an attack is highly likely. This followed a terrorist attack outside a hospital in Liverpool and concerns about MP Safety following the murder of David Amess. Flooding remains a concern and the issue which may most likely result in mutual aid requests. A successful multi-agency MTFa exercise was recently held and another exercise is being planned to cover flooding.</p>	M	Increased	Sharon Lea
All Council Values	Framework and resourcing of change programmes e.g., Civic Campus, Hello Hybrid Future, new systems, not sufficient to ensure programmes are delivered.	11 (16)	2	4	2	4	<p>Stable. Mechanisms in place to manage change through SLT, programme/ project governance and teams, the PMO/BI and project methodology. Collectively aim to ensure all major programmes do change well and managers support people well through change.</p>	L	Stable	Emily Hill
All Council Values	Unable to retain talented people in key posts at LBHF.	12 (17)	2	4	2	4	<p>The People Strategy implementation including the 'H&amp;F Way' culture change movement and the Race Equality staff working groups are addressing the issues that most concern our workforce to improve our employer reputation and ability to retain talent. The People and Talent Team (in TTI) are leading on work to improve our Employer brand and Employer Value Proposition (pay and benefits). The Council is committed to staff wellbeing, learning and development and has delivered online wellbeing and learning and development events throughout the pandemic including World class managers, the H&amp;F Academy (earn while you learn apprenticeships), Wellbeing Wednesdays, mental health first aiders, recruitment for hiring managers and a suite of manager essentials courses. Get Ahead and Apprenticeship schemes are making a difference. Workforce dashboards and KPIs are closely</p>	L	Stable	Rhian Davies

**Appendix 1 - Corporate Risk Register – December 2021**

Priority	Risk	Risk No. *	Q2 21/22 Likelihood	Q2 21/22 Impact	Q3 21/22 Likelihood	Q3 21/22 Impact	Current position	Residual Exposure	Status	Lead Director/ Risk Owner
							monitored. Attrition has fallen from 16% to 14% (rolling 12-month turnover) and RMB continues to closely monitor all recruitment requests and approvals. However, there are areas which remain difficult to recruit including: occupational therapists, planners, revenues and benefits, procurement, business intelligence, policy, some environmental services and social workers,			
Doing things with, not to residents	An event which triggers the Fulham Mortuary being designated as a disaster Mortuary	13 (19)	2	4	2	4	Designated Disaster Mortuary Plan has been reviewed and updated. Participated in the virtual H&F Borough Resilience Forum Terrorist Attack Exercise on 15 November 2021. In preparation for winter, all contracts have been reviewed, staffing rota agreed and sufficient body storage in place to cope with increased activity.	L	Stable	Rhian Davies
Doing things with, not to residents	Failure to deliver the Civic Campus Programme.	14 (21)	3	4	3	4	Governance arrangements are in place and now well established, assurance is provided through the Civic Campus Programme Delivery Board and the overall programme status highlight report is noted as green. Key programme milestones, workstream progress, budgets and risks and issues are reported to the Board and to SLT Programme meetings. The Town Hall Extension achieved vacant possession and was handed over.  The status remains the same this quarter although progress is being made which should reduce the likelihood of this risk going into the next quarter. Agreement has been reached with Ardmore in relation to the increased cost to complete construction. The additional investment required was approved at Cabinet on 11 October 2021 and the key decision report which recommends entering into a Deed of Variation with Ardmore has been signed off by the Cabinet Member. The deed will be executed, subject to concluding a mitigation strategy for the energy centre delay (see Risk 28).	L	Stable	Jonathan Pickstone
Creating a compassionate council  Page 46	Increase in the number of looked after children in the last 3 years creates budget pressures which are not able to be met to deliver the required services.	15 (22)	5	4	2	4	Over recent years the Children's Services department has experienced increasing demand for its services which has put significant strain on the limited resources available. Referrals and placements for looked after children and care leavers have increased along with significant rises in the demand, complexity and statutory responsibilities for young people with special education needs (SEN). The 2021/22 budget seeks to fund these additional pressures enabling a high-quality service to be maintained whilst also contributing to the requirement for efficiencies in a way that protects young people and improves outcomes.  Children's Services are in the process of refreshing the Placements Sufficiency Strategy which seeks to articulate gaps in local and or suitable placement provision. At present all Looked after Children and Care Leavers are in suitable placements and the current placement budget is forecasting an underspend for year-end. Late entrants to care and or breakdown in family placements is a volatile area with two pathways in that are beyond our control, UASC and Remands through court into our care. These can lead to higher cost, more intensive placements and as such requires ongoing monitoring between Placements and Finance. Due to effective assessment planning and review and rigorous oversight from our resource panel, at present this risk is considered low.  Children's Services have been working hard to ensure all budgets are closely managed ensuring greater oversight.	L	Reduced	Jacqui McShannon
Creating a compassionate council	High needs budget pressure continues, impacting on provision of services for vulnerable young residents.	16 (23)	3	4	3	4	In accordance with the RFE Priority, a High Needs Block (HNB) programme is in place with a focus on better outcomes for children. Monitoring is undertaken by the HNB Board, chaired by the Director of Children's Services and attended by key officers including the Director of Education, Director of Finance and PMO. Programme reports as amber hence the same assessment in this quarter. DSG monitor at monthly SLT Finance item on the PMO Dashboard and the position is reported to the Schools Forum. Following a successful negotiation, the council received additional high needs block Safety Valve funding in 2020/21 as part of an agreed action plan with DfE. Quarterly monitoring is undertaken with the DfE as a condition of future years' funding. The risk factors, in part, are the extension of statutory responsibilities to the full 0 to 25 age range, rising demand for Education, Health and Care Plans and the impact of Covid.	M	Stable	Emily Hill
Doing things with, not to residents	Digital Accessibility, public sector websites and apps will have to meet minimum accessibility standards. Just as all government buildings must legally be accessible to all who wish to access them, so too must their digital gateways.	17 (27)	2	3	2	3	A cross departmental taskforce has improved the accessibility of the council's website and other digital services, this was audited and signed off by the Cabinet Office. The Taskforce continues to meet monthly and is addressing the training required to ensure consistency across all departments. Every digital service the council builds or buys, and every piece of content produced must now meet accessibility standards. The communications team will also be working with the co-production and housing resident involvement teams to create a citizens' panel the council can use for accessibility and user testing. <b>RISK TO BE CLOSED</b>	L	Reduced	Rhian Davies

**Appendix 1 - Corporate Risk Register – December 2021**

Priority	Risk	Risk No. *	Q2 21/22 Likelihood	Q2 21/22 Impact	Q3 21/22 Likelihood	Q3 21/22 Impact	Current position	Residual Exposure	Status	Lead Director/ Risk Owner
All Council Values	Management of complaints, requests for information, members enquiries	18 (29)	3	4	3	4	Performance is stable overall excluding one service area where improvement plan is in place. Whilst there are still performance concerns, they are mainly in the area of complaints and relating to particular service areas rather than across the board. Regular reporting and controls are in place and action being taken to address areas of concern. LGSCO is satisfied with improvement trajectory and actions being taken. Main ongoing risk is with regard to Housing Ombudsman in relation to Repairs complaints.	H	Stable	Sharon Lea
Being ruthlessly financially efficient	Financial Management - in year budget 2021/2022 and Medium-Term Planning.	19 (split from 30)	n/a	n/a	3	4	Month 4 position, reports an in-year underspend of £2.3m following application of £4.8m of Covid-19 funding. Covid-19 continues to have an impact on income and expenditure and future funding for Covid-19 is uncertainty. The Council is experiencing increased demand and costs, particularly in Social Care and concern remains that pent-up demand for services will result in additional cost pressures later in the year. In addition, significant risks of cost increases as a result of inflationary pressures in short and medium term. Whilst the Spending Review 2021 covered a 3-year period it is unclear whether the Provisional Local Government Settlement (expected December 2021) will reflect this and a number of local government funding reforms remain unclear. The continued financial uncertainty regarding government funding of local government beyond 2021/22 creates a significant challenge in terms of budget setting and medium-term financial planning and is a risk driver. Key risks relate to Social Care – separately identified below.	M	Revised	Emily Hill
Creating a compassionate council	Financial Management - in year budget 2021/2022 and Medium-Term Planning: Social Care	20 (30)	4	4	4	4	The Social Care budget forecast at month 4 is £1.4m overspend however this is after the application of £1.3m Covid-19 funding and there is significant uncertainty the on-going impact of Covid-19. This includes: 1) the impact of the Hospital discharges placed by the NHS and requiring reassessment of care which is and likely to lead to further additional costs in social care; 2) the impact on the care market providers for on-going additional costs from Covid-19; 3) the impact to achieve the full delivery of savings; and 4) market instability following Covid-19.  Robust mitigation and tight financial controls are in place to reduce the in-year overspend. There is uncertainty and risk around the continuation of any Covid-19 funding and long term funding solutions for increased demand and complexity of demand in Social Care. Announced Social Care funding is expected only to meet the costs of new government proposals, rather than underlying pressures, and there are concerns that the funding may not be sufficient to fund the new requirements.	H	Stable	Lisa Redfern
All Council values	Corporate management of Health and Safety	21 (32)	3	4	3	4	The health and safety board continues to meet every 8 weeks. Corporate health and safety report no HSE enforcement this quarter and for the previous quarter. 26 entries are currently on the Operational (Health and Safety) Risk Register. KPIs for 2021 / 2022, agreed by APSC in June 2021 are on target: Fire safety policy review (to reflect new legislation); Coronavirus ongoing monitoring and provision of information to worker via IPC awareness (also see risk 37); review of H&S training; improvements to driver safety management; risk profiling to realign council to new ways of working; reduction of work-related stress; training and assessment for the home working environment. A deep-dive audit of water hygiene compliance in all council buildings has been completed in all areas except schools, which will be completed by end of this financial year. A rise in assaults and threats on staff is noted this quarter and a safer workforce task and finish group has been instructed by the CEO to review personal safety and lone working	M	Stable	Jonathan Pickstone
Taking Pride in Hammersmith & Fulham, Doing things with, not to residents	Impact on the local economy and businesses from the closure of Hammersmith Bridge to pedestrians, road and river traffic.	22 (33)	3	4	3	4	Controls in place include: <b>CCSO</b> (Group of experts from LBHF officers/Xanta/Motts/WSP) Review monitoring data from the bridge on a continuous basis and continues to meet every two weeks. <b>Opening</b> Bridge reopened on 17 <sup>th</sup> July after stress reports found that the temperature system and stress was being managed to such an extent that the risk was significantly reduced. Bridge opened up to pedestrians and cyclists. River traffic allowed to operate again under the bridge. <b>Sensors</b> 350 sensors on the bridge monitoring 24/7 with alerts of any changes to officers by text and emails. <b>Temperature Control System</b> – Operational managing chain temperatures to reduce stress on the structure. Sensors alert of any temperature issues outside permitted levels. Monitored 24/7. <b>Stabilisation</b> - Mott MacDonalds option has been selected. Design works underway and report authorising £6 million works has been approved and published.	M	Stable	Sharon Lea
Doing things with, not to residents	Failure to progress safety improvement works on the Charecroft Estate.	23 (35)	2	4	2	4	As set out in the HRA 12 Year Asset Management Capital Strategy to Cabinet in Sept 2021, Charecroft Phase 1 is nearing completion: 98% fire Doors/Compartmentation complete. Lifts in two blocks complete and other started. Door Entry, LED Lighting and CCTV planned. Evac alarm approved to enable phased evacuation, Kier to install. Phase 2 works: Replacement windows and infill panels, Roofing, External/structural repairs and Sprinkler systems. Bailey Garner commissioned to oversee delivery.	L	Stable	Jonathan Pickstone

**Appendix 1 - Corporate Risk Register – December 2021**

Priority	Risk	Risk No. *	Q2 21/22 Likelihood	Q2 21/22 Impact	Q3 21/22 Likelihood	Q3 21/22 Impact	Current position	Residual Exposure	Status	Lead Director/ Risk Owner
Being ruthlessly financially efficient	Failure to transfer the Pension Administration function to a new provider and ensure appropriate records are maintained and payments made.	24 (36)	2	4	2	4	An external review of the performance of our pension admin provider, Surrey County Council, led to a number of mitigating actions including – the creation of an in-house H&F pensions team and the appointment of a H&F Strategic Pensions Manager, the establishment of a pensions taskforce to oversee the change programme to move from Surrey CC to LPPA in Jan 2022, procurement of an external provider to support with correcting data gaps and a focus on improving performance standards. Regular updates are provided to the Pensions Fund Committee and the Pensions Board. The risk rating has therefore decreased but is monitored on a monthly basis by the Pensions Taskforce.	M	Reduced	Rhian Davies
Creating a compassionate council	Coronavirus – spread of infectious disease, particularly affecting vulnerable groups of residents and workforce/ contractors providing front line services.	25 (37)	4	4	4	4	We are now 18 months into the pandemic, and have high and rising rates of Covid, at last count the 8 <sup>th</sup> highest in London on 22.11.21. The risks are dependent on how many eligible staff vaccinated in phase 3 (Flu +booster) and the emergence of any new variants which are not responsive to the vaccine. Successful testing strategy in place, vaccinations and phase 3 boosters and flu campaign are a priority alongside continued vigilance, hands face & space. We are ready for Plan B should it be activated- face coverings mandated indoors, covid passports and working from home unless frontline staff  Risk through the winter of Flu, RSV, Norovirus- IPC is key to reduction of spread. Staff training being rolled out level1 & 2 IPC-started in November 2021.	H	Stable	Linda Jackson/ Dr Niki Lang
Rising to the challenge of the climate and ecological emergency	Failure on the part of the Council to mobilise its response to the Climate Change emergency.	26 (38)	3	4	2	3	The Climate Emergency Unit is now in place, with initial posts recruited to. A climate strategy for a net zero borough by 2030 has been approved and adopted by Cabinet. The resident-led commission has now been replaced with a new Climate Strategy Implementation Group to increase scrutiny and deliver actions at pace. A detailed audit of the Council’s carbon footprint is now an annual activity to track progress against our action plan and to provide a robust evidence base for costing and prioritising organisational carbon reduction activity. Quick win workstreams to influence emissions through policy have been progressed, including emissions-based policies on parking, council fleet, energy procurement, and wider procurement. Engagement has begun with local businesses and organisations to develop an H&F Climate Alliance, and H&F has been a leader in designing and implementing the UN’s climate education programme. Recent flooding has expedited the need for a climate adaptation plan to prepare residents, businesses and the council for more extreme weather including heavy rainfall and heatwaves. Individuals, households and infrastructure will need to adapt and prepare for more of occurrences and the council has an important supporting role.	H	Reduced	Sharon Lea
Taking Pride in Hammersmith & Fulham, Doing things with, not to residents	Housing repairs performance - contractor failure (administration) given that there are a number of contractors providing repairs and maintenance.  Repair system and contractor management not delivering performance are required levels.	27 (39)	3	4	3	4	There are robust contract provision for poor performing contractors. There is a regular monitoring of contractors’ performance and financial health. There is a clear mechanism for recovery of costs in relation to contractor failure. We continue to build the in-house DLO capability and capacity with a focus on planned preventative maintenance. Although these measures would mitigate the disruption in the short term would be significant if a contractor went into administration.  Four principles agreed (stabilise contract, isolate disrepair & stage 2, ownership, resident engagement). United Living exited. Reserve contractor mobilised. Service improvement plans, new KPIs, and additional resource for contractors and client agreed. Data insight and analytics. Audit to review systems thinking processes. PPM programme with DLO. £600 million investment over 12-year capital strategy.	H	Stable	Jonathan Pickstone
Doing things with, not to residents	Civic Campus Energy centre may not be ready in time for handover and occupation in April 2023 which may impact the exit from decant accommodation	28 (New)	n/a	n/a	4	4	The energy strategy is being negotiated as part of the Deed of Variation referred to in Risk 14. Utility diversions are currently delaying construction progress on new build Block B, where the Town Hall energy centre will be housed. Mitigation strategies are already being discussed including negotiations to minimise delays as much as possible; the use of an onsite temporary package plant until the energy centre is delivered; whether energy can be pulled from surrounding sub stations to meet Town Hall requirements in the meantime. Depending on outcomes to these discussions, a clearer way forward will be known next quarter but initially setting this as “high”.	H	NEW	Jonathan Pickstone

\* Previous Risk numbers shown in brackets (as per September 2021 report)

## Appendix 1 - Corporate Risk Register – December 2021

### Key

16-25	Red	High risk, immediate management action is required.
11-15	Amber	Medium risk, review controls for appropriateness and effectiveness
1-10	Green	Low risk, monitor and if escalates quickly check controls
	Blue	Opportunity risk

*Likelihood and Impact Based on a 1 to 5 scale with 1 Very Low and 5 Very High, the Score then is automatically calculated by multiplying them together.*

### Help

Risk Description	Risk described in a language that articulates clearly what could go wrong or what opportunity could be achieved.
Residual Exposure	Extent of the risk once the controls are currently in place. This is known as the residual risk and is calculated by multiplying impact of risk and likelihood of occurrence.
Existing Controls	Not all risks can be managed, but those that can are managed using a variety of controls.
	The art of risk management is to apply controls that are effective and efficient in reducing the exposure.
Risk Owner	This is the person or team best positioned to manage the identified risk

# Agenda Item 8

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 14 December 2021

**Subject:** External Audit Appointment 2023-28

**Responsible Director:** Emily Hill, Director of Finance

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### SUMMARY

Under the Local Audit and Accountability Act 2014 the Council must make arrangements for the appointment of external auditors for the Council's accounts (including pension fund). The Council will soon need to decide as to appointment of auditors for the period 2023-28.

This report, for noting and for comment, provides detailed background to the appointment process and sets out the options for making such an appointment.

Under the legislation, the decision to appoint the external auditor must be taken by Full Council and this is anticipated to take place in February 2022. It is provisionally recommended that the Council opt-in to the sector-led 'appointing person' regime operated by Public Sector Audit Appointments (PSAA).

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### RECOMMENDATIONS

1. For the Committee to note and comment on the report.
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**Wards Affected:** All

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<b>Our Priorities</b>	<b>Summary of how this report aligns to the H&amp;F Priorities</b>
Being ruthlessly financially efficient	The external audit provides assurance to internal and stakeholders about the financial arrangements of the Council and the value for money achieved.

## Financial Impact

The cost of external audit will be met from existing budgets. A breakdown of costs in recent years is as follows:

	2020/21*	2019/20	2018/19
	£'000	£'000	£'000
<b>Main Audit</b>	195	191	140
<b>Pension Fund</b>	26	36	16

\*Currently subject to audit

## Legal Implications

Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires the Council to appoint a local auditor to audit its accounts by 31 December in the preceding year for a maximum period of five years.

The procedure for appointment of a local auditor is set out in Section 8 of the Act and requires the Council to consult and take account of the advice of its auditor panel on the selection and appointment of the auditor.

If the Council fails to appoint a local auditor, under section 12 of the Act, the Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.

Section 17 of the Act gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 and gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person. This report proposes that the Council opts in to the sector-led 'appointing person' regime.

As the Council operates executive arrangements, under section 8 of the Act, the correct decision maker is Full Council.

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### Contact Officers:

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## Background Papers Used in Preparing This Report

None

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### BACKGROUND

1. From 1983 to 2015 the Audit Commission was responsible for Local Authority external audit arrangements in England. From 1 April 2015, under the Local Audit and Accountability Act 2014 (the Act), local public bodies in England have been required to appoint their own external auditors and, following some transitional arrangements, the current system came into full effect in 2018/19.
2. Under the legislation, authorities can make an appointment via “an appointing person” to act as a joint procurement body for local audit. The government have appointed Public Sector Audit Appointments (PSAA) for this purpose. PSAA is a subsidiary company of the Local Government Association (LGA) and its role as appointing person for opted-in bodies is to:
  - appoint auditors to local public bodies, including councils, police and crime commissioners, chief constables, fire and rescue authorities and other relevant principal local government bodies;
  - set scales of fees, and charging fees, for the audit of the accounts and relevant bodies;
  - oversee of the delivery of audit services to opted-in bodies; and
  - manage contracts with audit firms.
3. In 2017, following a decision by Full Council, the Council opted into the PSAA arrangements for the period 2018-23. The Council’s auditor under these arrangements is Grant Thornton UK LLP, one of the nine accredited local audit firms. In total, 98% of relevant local bodies (all but 10), opted in to the PSAA arrangements for the period 2018-23.
4. Authorities who choose to make their own arrangements (i.e. those who do not opt-in to the appointing person arrangements) must undertake the following:
  - procurement and contract management functions as otherwise provided by the appointing person
  - establishment of an Independent Auditor Panel - this panel must have at least three members, a majority of whom must be independent and one of whom must chair the panel.
5. It has been confirmed that PSAA will continue as the appointing person for the period after 2023. On 22 September 2021 PSAA invited all eligible bodies to become opted-in authorities for the period 2023/24 to 2027/28 (the compulsory appointing period).
6. A decision to become an opted-in authority must be taken by the members of an authority meeting as a whole which in the Council’s case would be a meeting of

Full Council. The deadline to opt-in for the period 2023-28 is Friday 11 March 2022.

7. During the present contract period there have been some significant issues affecting local government audit as follows:
  - increased scrutiny following a number of high-profile corporate failures and the ongoing financial challenges faced by many local authorities;
  - the introduction of additional oversight and monitoring of audits of significant local public bodies by the Financial Reporting Council;
  - resources are considered significantly stretched and the recent 'Redmond Review' has pointed to a 'broken market';
  - local audit opinions have been delayed in past few years, some significantly so; and
  - additional work has now meant additional fees are needed.

## **OPTIONS AND ANALYSIS OF OPTIONS**

8. Below are the options, including a provisional recommended option, to be put forward to Full Council for decision.
9. There are three viable options for appointing auditors pursuant to the Act:
  - Option 1 – Opt-in to PSAA arrangements for the years 2023-28 (recommended)
  - Option 2 – Local procurement and standalone appointment
  - Option 3 – Local consortium arrangements

A 'do nothing' option is not viable as the Council must, under the Local Audit and Accountability Act 2014, make arrangements for the audit of its accounts annually and existing arrangements expire in 2023.

### **Option 1 - Opt-in to PSAA arrangements for the years 2023-28 (recommended)**

10. As per the engagement for the period 2018-23 the Council would opt-in to PSAA arrangements; the PSAA would then undertake market engagement and procurement and appoint an auditor on the Council's behalf.
11. The proposed contract duration is five years, with an option to extend for a further one or two years with supplier agreement using a single tender, restricted procedure. A dynamic purchasing system will be run in parallel to provide an option for some or all subsequent auditor appointments and there will be between seven and ten contract lots; sizes to be determined but the largest being c20 to 25% of the market to reflect a balance of geography and blend of authority types.
12. The appointment of the PSAA provides the following advantages:
  - the sector-led approach of the PSAA provides the best opportunity to achieve economies of scale and maximum purchasing power;

- negotiations and contract management are undertaken by a dedicated specialist team; and
  - the approach provides an established route to independent audit appointment whilst avoiding the need for Council to establish an independent audit panel which would mean additional cost. It would also likely necessitate changes to the Council's existing governance arrangements, requiring the appointment of independent members.
13. The primary drawback of the PSAA approach is that the Council would not be taking advantage of the full flexibility available under the Act. These freedoms, generally, however mean accepting increased risks.
14. It is considered that advantages of this option markedly outweigh the drawbacks and the advantages of the alternatives (below). As such, this is the recommended approach.

### **Option 2 – Local procurement and standalone appointment**

15. In order to make a stand-alone appointment the Council will need to set up an Independent Auditor Panel. This panel of at least three members must be majority independent (including the Chair). Independent members would exclude current and former elected members (or officers) and their close families and friends.
16. The Council would need to consider how the ongoing role of such a panel would complement the role of the existing Audit Committee and review its governance arrangements as necessary (for which further legal advice would be required). The Council would also need to make its own arrangements for procurement and ongoing contract management whilst continually demonstrating independence.
17. The advantage of this approach is that it allows the Council to take maximum advantage of the local appointment regime under the Act.
18. The primary drawbacks are as follows:
- there would be a cost to recruiting and servicing an Independent Auditor Panel, running the bidding exercise and negotiating the contract;
  - the Council will not be able to take advantage of economies of scales and enhanced purchasing power that may be available through joint or national procurement contracts;
  - there is a risk, that due to the limitations in the local audit market, the Council as a standalone authority may not attract sufficient market interest limiting competition or in extremis may be unable to appoint an auditor;
  - there is a risk that over an extended period independence may wane over time giving rise to conflicts of interests.
19. The number of drawbacks in this option means that it is not recommended.

### **Option 3 – Set up a Joint Auditor Panel/ local joint procurement arrangements**

20. The Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of a majority of independent appointees.
21. Detailed legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act. The Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
22. The advantage of this approach is that the costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across several authorities. There is also greater opportunity for enhanced purchasing power by being able to offer a larger combined contract value to the firms. In addition, knowledge and expertise in operating a local panel could be pooled and shared.
23. The primary drawbacks are as follows:
  - a pooled arrangement would limit the opportunity for local input to the decision
  - the choice of auditor within a limited market could be further limited due to pooling because of conflicts of interest where authorities use the same audit firm for consultancy work – this could limit competition and pricing.
24. This option is not recommended in light of the stated drawbacks. There is also a question as to this option's viability given the lack of support for such arrangements at the present time. No such arrangement has currently been proposed within London.

### **CONCLUSION AND NEXT STEPS**

25. Of the viable options, the 'appointing person' route via the PSAA is considered the most preferable and as such is the recommended approach.
26. Subject to comment from Audit Committee, the proposed approach will be put before Full Council in February 2022.
27. The deadline to notify PSAA of an intention to opt-in (subject to approval by Full Council) is 11 March 2022.

# Agenda Item 9

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 14/12/2021

**Subject:** Internal Audit Progress Report (September to November 2021)

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

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### Summary

This report summarises the status of work included in the 2021/22 Internal Audit Plan as at the end of November 2021. Eight audits have been finalised, two of which received a Substantial assurance opinion with six receiving Satisfactory assurance.

The status of audits confirmed for inclusion within the Plan, up to the end of November, is shown in Appendix 2 and the audits for possible inclusion in the final quarter of the year will be updated, following discussions with the services.

### Recommendation

1. For the Committee to note and comment on the report.

**Wards Affected:** None

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### 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"><li>• Being ruthlessly financially efficient</li></ul>	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  
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## Background Papers Used in Preparing This Report

None

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## DETAILED ANALYSIS

### Internal Audit Work September to November 2021

1. The Audit Committee are provided with updates at each meeting on progress against the Annual Audit Plan and on any limited or no assurance audits issued in the period.
2. The Audit Plan for 2021/22 was reviewed by the Audit Committee in March 2021. To ensure that the Annual Audit Plan is more responsive to changing risks and challenges, it has been developed as a '3 plus 9-month' plan. This approach allows for the first three months to be identified in detail with the remaining nine months being more flexible to suit the needs of the Council at the time. The Plan is reviewed and updated following discussions with Directors, taking into account changing risks and priorities. The revised Plan is reported to the Committee on a quarterly basis and any significant changes in the coverage of the Plan will be highlighted.
3. Since the last report to Committee, eight audits have been completed, two of which received a **Substantial Assurance** opinion.
4. In addition, an advisory review has been completed on calculation of Service Charges.

### Internal Audit Opinion

5. Although no overall assurance opinion can be given at this stage, the S151 Officer and the Committee can be assured that sufficient internal audit work is in progress to ensure an appropriate assurance opinion can be provided by the end of the financial year.
6. Appendix 1 shows the finalised audits as at the end of November 2021 and the status of the remaining planned audits is shown in Appendix 2.

## **Follow ups**

7. A total of 33 recommendations have been followed up in the year to date. Implementation of medium and high priority recommendations has been consistently effective with 83% of medium and high priority recommendations fully implemented with a further 17% partly implemented.

## **Consultation**

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

## **Legal Implications**

9. 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.
10. 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.
11. There are no particular legal implications arising from this report.

*Implications verified by Grant Deg, Chief Solicitor (litigation and employment), 07798 588 766.*

## **Financial Implications**

12. 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.
13. 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**

14. 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 Moira Mackie, Head of Internal Audit, 07800 513 192.*

**List of Appendices:**

- Appendix 1 Summary of Audit Reports finalised as at end of November 2021
- Appendix 2 Audit Plan 2021-22 Status Report

## Internal Audit – Finalised Audits

Plan Area	Auditable Area	Issued	Assurance level given	High Priority Recs	Medium Priority Recs	Low Priority Recs	Reported to Committee
<b>Finance</b>	Housing Rents (2020/21)	Sep-2021	Satisfactory	1	4	1	Dec-2021
<b>Resources: Digital Services</b>	Post Implementation Review (Techtonic) (2020/21)	Aug-2021	Satisfactory	0	2	2	Sep-2021
<b>Resources: Democratic Services</b>	Elections Readiness (2020/21)	Aug-2021	<b>Substantial</b>	0	0	0	Sep-2021
<b>Children's Services</b>	Youth Endowment Fund Grant	Jul-2021	Advisory	1	1	0	Sep-2021
	SEN Recoupment	Jul-2021	Satisfactory	0	2	0	Dec-2021
<b>Schools</b>	Avonmore Primary (2020/21)	Jul-2021	Satisfactory	0	5	2	Sep-2021
	John Betts Primary	Jun-2021	Satisfactory	0	1	4	Sep-2021
	Miles Coverdale Primary	Sep-2021	Satisfactory	0	3	1	Dec-2021
	Sir John Lillie Primary	Oct-2021	Satisfactory	0	3	2	Dec 2021
	St Augustine's RC Primary	Sep-2021	<b>Substantial</b>	0	0	2	Dec-2021
	Wendell Park Primary	Sep-2021	<b>Substantial</b>	0	0	2	Dec-2021
<b>Social Care</b>	Supervision – Compliance (2020/21)	Aug-2021	Satisfactory	0	2	7	Sep-2021
	Mosaic Financial Controls (2020/21)	Nov-2021	Satisfactory	0	4	3	Dec-2021
<b>Economy</b>	Integrated Housing Management - Programme Management	Jun-2021	Satisfactory	0	3	6	Sep-2021
	Service Charges (2020/21)	Oct-2021	Advisory	0	0	1	Dec-2021

## Internal Audit – Finalised Audits

<b>Environment</b>	Grounds Maintenance – Contract Monitoring (2020/21)	Aug-2021	Satisfactory	0	3	1	Sep-2021
	NNDR (2020/21)	Jun-2021	<b>Substantial</b>	0	0	1	Sep-2021
	Property Management (Techforge)System (2021/22)	Oct-2021	Satisfactory	0	2	4	Dec-2021

## Internal Audit Plan 2021/22 – Status of Audits

Not yet due (\* in the table below) includes audits where the timing of the audit or the scope have not yet been agreed and some of these may not be undertaken in the year (shown as TBC).

Following discussions with the services, a small number of audits have been removed from the plan. Some of these may be deferred to a future year depending on the priorities and risks at the time.

Plan Area	Draft Report Issued	In Progress	*2021/22 - Not Yet Due	Removed from Plan
<b>Cross-cutting</b>	<b>2020/21:</b> <ul style="list-style-type: none"> <li>Contract Management (Apr-2021) – awaiting peer review</li> <li>Waivers (Oct)</li> </ul>	<b>2020/21:</b> <ul style="list-style-type: none"> <li>DPO/ GDPR Support (Information Assets)</li> </ul> <b>2021/22:</b> <ul style="list-style-type: none"> <li>RFE – Financial /HR Compliance</li> <li>Debt Management</li> <li>VAT</li> <li>Governance &amp; Compliance (gifts &amp; hospitality) – ongoing as required.</li> </ul>	<ul style="list-style-type: none"> <li>Contract Management Framework – TBC</li> <li>Programmes &amp; Project Management – TBC</li> <li>Business Continuity - TBC</li> </ul>	
<b>Finance</b>	<b>2020/21:</b> <ul style="list-style-type: none"> <li>Treasury Management (draft Oct)</li> <li>Use of &amp; Control of Purchasing Cards (Oct)</li> </ul>			
<b>Resources</b>		<b>2021/22:</b> <p>Transformation, Talent &amp; Inclusion:</p> <ul style="list-style-type: none"> <li>Overtime</li> <li>Employment Tribunals</li> <li>Agency Spend</li> </ul> <p>Legal Services:</p> <ul style="list-style-type: none"> <li>Disrepair Legal Claims</li> </ul>	<p>Transformation, Talent &amp; Inclusion:</p> <ul style="list-style-type: none"> <li>Equalities Impact Assessments - TBC</li> </ul> <p>Legal Services:</p> <ul style="list-style-type: none"> <li>Accessibility Requirements - TBC</li> </ul>	<p>Transformation, Talent &amp; Inclusion:</p> <ul style="list-style-type: none"> <li>Sickness Absence</li> <li>Performance Management</li> <li>Annual Leave</li> </ul>

## Internal Audit Plan 2021/22 – Status of Audits

Plan Area	Draft Report Issued	In Progress	*2021/22 - Not Yet Due	Removed from Plan
		Digital Services: <ul style="list-style-type: none"> <li>IT Asset Management</li> <li>Ransomware</li> </ul>	Digital Services: <ul style="list-style-type: none"> <li>Remote Working Resilience - TBC</li> <li>IT Audit Needs Assessment - TBC</li> <li>IT Service Continuity Plans – TBC</li> </ul>	
<b>Children's Services</b>	<b>2020/21:</b> <ul style="list-style-type: none"> <li>Placements – Advisory (Jul-2021)</li> <li>Use of Spot Contracts – Advisory (Oct)</li> </ul>	<b>2021/22:</b> <ul style="list-style-type: none"> <li>Supporting People Claims (on-going)</li> <li>No Recourse to Public Funds (to include Economy &amp; CAFS)</li> <li>Raising Payments on Mosaic/ IBC</li> </ul>		
<b>Schools</b>	<b>2020/21:</b> <ul style="list-style-type: none"> <li>St John's XXIII Primary (Jun-2021)</li> <li>Flora Gardens Primary (Jun-2021)</li> <li>School Bursarial Service (Oct)</li> </ul> <b>2021/22:</b> <ul style="list-style-type: none"> <li>Vanessa Nursery (Oct 2021)</li> </ul>	<b>2021/22:</b> <ul style="list-style-type: none"> <li>St Paul's C of E Primary</li> <li>Brackenbury Primary</li> <li>Larmenier Sacred Heart Primary</li> <li>Old Oak Primary</li> <li>William Morris 6<sup>th</sup> Form</li> <li>Schools Thematic Work (VAT)</li> </ul>	<ul style="list-style-type: none"> <li>Bayonne Nursery (Q4)</li> </ul>	
<b>Social Care &amp; Public Health</b>		<b>2021/22:</b> <ul style="list-style-type: none"> <li>PFI Programme</li> </ul>	<ul style="list-style-type: none"> <li>Commissioning &amp; Procurement - TBC</li> <li>Learning Disabilities (CLCH) - TBC</li> <li>S75 Agreement – West London NHS Trust - TBC</li> </ul>	<ul style="list-style-type: none"> <li>Integrated Care Partnership (2022/23)</li> </ul>

## Internal Audit Plan 2021/22 – Status of Audits

Plan Area	Draft Report Issued	In Progress	*2021/22 - Not Yet Due	Removed from Plan
<b>Economy</b>	<b>2020/21:</b> <ul style="list-style-type: none"> <li>• Housing Decants (Jun-2021)</li> <li>• Security – Resource Management (Aug-2021)</li> <li>• Homelessness (Oct)</li> <li>• Service Charges – Advisory (Oct)</li> </ul>	<b>2020/21:</b> <ul style="list-style-type: none"> <li>• Corporate Health &amp; Safety</li> <li>• Maintenance of Play Equipment (report drafted)</li> </ul> <b>2021/22:</b> <ul style="list-style-type: none"> <li>• DLO Communal &amp; Programmed Remedial Works</li> <li>• Fire Safety</li> <li>• Workzone</li> <li>• Lift Maintenance</li> <li>• Housing Repairs</li> <li>• Gas Safety</li> </ul>	<ul style="list-style-type: none"> <li>• Tenant Service Charges &amp; Leaseholder Debt - TBC</li> <li>• Capital Projects – Post Completion Records - TBC</li> <li>• HRA Cost Apportionment - TBC</li> <li>• Capitalisation of Works - TBC</li> </ul>	
<b>Environment</b>	<b>2020/21:</b> <ul style="list-style-type: none"> <li>• Parking – PRP Scheme (Jun-2021)</li> <li>• CCTV Contract Management (Oct)</li> </ul>	<b>2021/22:</b> <ul style="list-style-type: none"> <li>• Leisure Centres</li> <li>• FOI/SARs – Compliance</li> <li>• NNDR</li> <li>• Council Tax</li> <li>• Housing Benefits</li> </ul>		

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 14/12/2021

**Subject:** Internal Audit Charter and Strategy

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

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### 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 Director of Audit, Fraud, Risk and Insurance. The Charter is reviewed annually to ensure that it reflects the Standards. The Strategy sets out the approach to the delivery of the Internal Audit service.

### Recommendation

For the Committee to note and comment on the Charter and Strategy.

**Wards Affected:** None

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### 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"><li>Being ruthlessly financially efficient</li></ul>	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

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## Background Papers Used in Preparing This Report

None

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### DETAILED ANALYSIS

1. The Internal Audit Charter is subject to annual review and, in accordance with the PSIAS, it should be periodically approved by the Audit Committee. The Internal Audit Strategy is included as an Appendix to the Charter and sets out how the Council's Internal Audit service will be developed and delivered in accordance with the Charter.
2. The Audit Committee consider the Council's compliance with its own and other published standards as part of their responsibilities.
3. The PSIAS came into effect from 1 April 2013. The Standards 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 the Chartered Institute of Public Finance and Accountancy (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.
4. 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.
5. 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.
6. 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.
7. Included with 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 Director of Audit, Fraud, Risk and Insurance which is reported to the Audit Committee. The Annual Report to the Audit Committee for 2020/21 (reported in June 2021) included the following statement:

*"The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). During 2020/21, the Internal Audit Service undertook a self-assessment to verify PSIAS compliance which has identified*

*general compliance with the Standards. Some improvements in reporting and planning have been identified which are being implemented in 2021/22.”*

8. The London Audit Group (LAG) has organised a system of independent externally validated self-assessments across the London Boroughs. It has been agreed that self-assessments against the Standards, and where appropriate, the CIPFA Local Government Application Note (LGAN) will be completed and that these will be externally validated by suitably qualified individuals or teams from other members of LAG. An externally validated assessment of the Internal audit Service is due to be undertaken in January/ February 2022. The outcome of this assessment will be reported to the Committee in June/ July 2022.
9. The Charter has been reviewed and minor amendments made to state that compliance with the PSIAS is mandatory (Charter, paragraph 1.1), the internal audit remit extends to the entire control environment of the Council (Charter, paragraph 6.1) and to provide more clarity on internal audit involvement in consulting engagements (Charter, paragraphs 9.4, 9.5 and 9.6).
10. The Strategy has been updated to reflect as the service has adopted a more agile approach to the preparation of the annual audit plan (Strategy, page 8).

#### **Consultation**

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

#### **Legal Implications**

12. 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.
13. 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.

14. There are no particular legal implications arising from this report.

*Implications verified by Grant Deg, Chief Solicitor (litigation and employment), 07798 588 766.*

### **Financial Implications**

15. Internal Audit Service is provided within the agreed revenue budget for the service. There are no additional financial implications arising from this paper. .

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

### **Risk Management**

16. The Internal Audit Service is developed and delivered to cover the key risks faced by the Council and in line with professional standards.

*Implications verified by Moira Mackie, Head of Internal Audit, 07800 513 192.*

### **List of Appendices:**

Appendix 1 Internal Audit Charter and Strategy

# APPENDIX 1

London Borough of Hammersmith  
and Fulham

Internal Audit Charter 2021



## 1. Introduction

- 1.1 This Charter establishes the purpose, scope, authority and responsibilities for the internal audit service for the London Borough of Hammersmith and Fulham, in accordance with the mandatory 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 of this Charter) 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 Council's Strategic Leadership Team and to the Audit 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 Committee are designated as the "Board"; and
  - The 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 strategic objectives 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:

- 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 strategic objectives; and
- 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 identifying 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 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 in their own right;
- Ensuring that the Internal Audit Charter and Audit Plan are approved by the Audit Committee in accordance with the PSIAS; and
- Ensuring that an external review of internal audit quality is carried out at least once every five years and the Audit 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 Internal audit's remit extends to the entire control environment of the organisation.

6.2 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.

- 6.3 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.
- 6.4 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 compliance with GDPR.

## 7. The Audit Committee

7.1 The Shared Services Director for Internal Audit, Fraud, Risk & Insurance is required to provide the Council, SLT Assurance and the Director of Finance with an annual opinion, reported through the Audit 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 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 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 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 Strategic Leadership Team and will be reported to the Audit Committee for noting and comment;
- The Internal Audit budget is reported to the 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 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 Officer 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 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 Committee;
- Any instances of non-conformance with the Public Sector Internal Audit Standards will be reported to the Audit 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 Committee;
  - The Monitoring Officer;
  - All Members of the Strategic 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 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 and Insurance 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 Conducting internal audits is the primary purpose of the internal audit service to provide an objective assessment of the framework of governance, risk management and control to inform the annual internal audit opinion. Consulting engagements (also known as advisory engagements) are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control. This may include providing advice and guidance on current best practice in governance, risk management, systems design and development, internal controls and management.
- 9.5 Non-audit consulting services may impair, or appear to impair, the independence of the internal audit activity or the individual objectivity of the internal auditor and therefore safeguards will be implemented to avoid this.
- 9.6 Any significant consulting activity (over 5% of planned annual audit days) which might affect the level of assurance work undertaken, will be reported to the Audit 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.

- 9.7 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, the Chief Executive, the Audit Committee and the Strategic 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 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. This is managed through the performance management and appraisal process. Both the Shared Services Director for Audit, Fraud, Risk and Insurance and the Head of Internal Audit are required to hold a professional qualification (CCAB or CMIAA) and be suitably experienced.

**Internal Audit Charter and Strategy Reviewed and Agreed:**

<b>Date</b>	<b>Reviewed by</b>	<b>Comments</b>	<b>Approved by</b>
Oct 2021	James Graham, Audit Manager and Moira Mackie Head of Internal Audit	Reviewed and updated to reflect the requirements of the PSIAS	David Hughes Shared Service Director for Audit, Fraud, Risk & Insurance
Sep 2020	Moira Mackie Head of Internal Audit	Reviewed no material change	David Hughes Shared Service Director for Audit, Fraud, Risk & Insurance
Sep 2019	Moira Mackie Senior Audit Manager	Reviewed no material change	David Hughes Shared Service Director for Audit, Fraud, Risk & Insurance
Sep 2018	Moira Mackie Senior Audit Manager	Revised Charter	David Hughes Shared Service Director for Audit, Fraud, Risk & Insurance

## 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 Committee for information.

### Internal Audit Objectives

Internal Audit will provide independent and objective assurance to the organisation, its Members, the Strategic 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 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.

The Internal Audit Service is a shared service hosted by the Royal Borough of Kensington and Chelsea. The audit service works with the London Borough of Hammersmith & Fulham and Westminster City Council, to deliver audit reviews across the three Councils for sovereign as well as shared services.

## Internal Audit Planning

### Strategic Audit Plan

A strategic audit plan is maintained to document significant, persistent risks that the Council faces and outlines, in broad terms, business areas or themes to be covered over a five-year period. This plan is intended to support the annual planning process and ensure that, in being agile and responsive to a changing risk and assurance environment, internal audit continues to provide assurance over the breadth of the Council's operations and does not become a purely reactive function.

### Annual Audit Planning

Historically the full annual audit plan was prepared for submission to Committee prior to the start of the financial year. The traditional annual audit planning approach has become unsuitable as the original plan fails to keep pace with the organisation's changing assurance needs.

From 2021/22 onwards, the approach to audit planning changed, moving to a '3 plus 9' annual audit plan. We plan out the next three months in detail whilst keeping the remaining nine months more flexible. The plan will then be revisited each quarter to firm up the following quarter's work. Areas for consideration in the plan include:

- Risks to achieving strategic objectives;
- Issues currently affecting the department including emerging risk areas;
- Core operations / Business as usual/ Business Continuity;
- Governance;
- Transformation (Programmes, projects and new initiatives);
- Procurement and Contract Management;
- Information Management, IT and Continuity;
- Compliance;
- Areas where Internal Audit input may be helpful (including outside of that department); and
- Previous Internal Audit Coverage (or lack of) and alternative sources of assurance.

The audit plan will be presented to the Audit Committee each quarter.

### Follow Up

Internal Audit will evaluate the Council's progress in implementing audit recommendations against set targets for implementation. Progress will be reported to SLT Assurance and the Audit 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 SLT Assurance and the Audit 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.