

# Audit Committee

## Agenda

Monday 13 March 2023 at 7.00 pm

Main Hall (1st Floor)- 3 Shortlands, Hammersmith, W6 8DA

Watch the meeting live: [youtube.com/hammersmithandfulham](https://www.youtube.com/hammersmithandfulham)

### MEMBERSHIP

Administration	Opposition
Councillor Patrick Walsh (Chair) Councillor Paul Alexander Councillor Florian Chevoppe-Verdier Councillor Ashok Patel	Councillor Adrian Pascu-Tulbure

**CONTACT OFFICER:** David Abbott  
Governance and Scrutiny  
Tel: 07776 672877  
Email: [david.abbott@lbhf.gov.uk](mailto:david.abbott@lbhf.gov.uk)  
Web: [www.lbhf.gov.uk/committees](http://www.lbhf.gov.uk/committees)

Members of the public are welcome to attend, but spaces are limited so please contact [David.Abbott@lbhf.gov.uk](mailto:David.Abbott@lbhf.gov.uk) if you'd like to attend. The building has disabled access.

# Audit Committee Agenda

<u>Item</u>		<u>Pages</u>
<b>1.</b>	<b>APOLOGIES FOR ABSENCE</b>	
<b>2.</b>	<b>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.</b>	<b>MINUTES OF THE PREVIOUS MEETING</b>	4 - 11
	<p>To approve the minutes of the previous meeting and note any outstanding actions.</p>	
<b>4.</b>	<b>STATEMENT OF ACCOUNTS 2021/22 - AUDIT PROGRESS REPORT</b>	12 - 22
	<p>This report provides an update on the audit of the 2021/22 accounts and the finalisation of the 2020/21 accounts.</p>	
<b>5.</b>	<b>RISK MANAGEMENT HIGHLIGHT REPORT</b>	23 - 38
	<p>This report provides an update on risk management across the Council.</p>	
<b>6.</b>	<b>INTERNAL AUDIT PROGRESS REPORT</b>	39 - 49
	<p>This report summarises the status of work included in the 2022/23 Internal Audit Plan as at the end of February 2023.</p>	

- 7. INTERNAL AUDIT PLAN 2023-24** 50 - 63  
This item presents the Council's Strategic Audit Plan for 2023/24.
- 8. INTERNAL AUDIT CHARTER AND STRATEGY** 64 - 77  
This item presents the Internal Audit Charter and Strategy.
- 9. DATES OF FUTURE MEETINGS**  
To note the following dates:
- 19 June 2023
  - 12 September 2023
  - 27 November 2023
  - 11 March 2024

# Agenda Item 3

London Borough of Hammersmith & Fulham

## **Audit Committee Minutes**



**Wednesday 23 November 2022**

### **PRESENT**

**Committee members:** Councillors Patrick Walsh (Chair), Paul Alexander, Florian Chevoppe-Verdier, Adrian Pascu-Talbure and Ashok Patel

### **Other Councillors**

Councillor Alexandra Sanderson (Cabinet Member for Children and Education) (attended remotely)

### **Officers**

David Hughes (Director of Audit, Fraud, Risk and Insurance) (attended remotely)

Moira Mackie (Head of Internal Audit)

Sharon Lea (Interim Chief Executive)

Jon Pickstone (Strategic Director of Economy)

Phil Triggs (Director of Treasury and Pensions)

Patrick Rowe (Strategic Finance Manager, Treasury and Pensions)

Sukvinder Kalsi (Director of Finance)

Craig Tucker (Head of Finance)

David Abbott (Head of Governance)

### **Guests**

Andy Conlan (Grant Thornton)

Paul Dossett (Grant Thornton) (attended remotely)

Mary Berrisford (Principal of William Morris Sixth Form)

## **1. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

Apologies for lateness were received from Councillor Paul Alexander who entered the meeting at 7.38pm.

Councillors Ashok Patel and Alex Sanderson (Cabinet Member for Children and Education) attended remotely.

## **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **3. MINUTES**

The Chair noted that David Hughes had circulated responses to outstanding actions.

#### **RESOLVED**

That the open and exempt minutes of the previous meeting held on 13 September 2022 were agreed as accurate records of the meeting.

### **4. TREASURY MANAGEMENT STRATEGY - MID-YEAR REVIEW 2022/23**

Phil Triggs (Director of Treasury and Pensions) presented the report which provided an update on the implementation of the 2022/23 Treasury Management Strategy, approved by Full Council on 24 February 2022.

Councillor Ashok Patel, in reference to paragraph 5, noted a large amount of money was held in cash and asked if it would be better deployed in easily liquidated equities. Phil Triggs said money market funds were used because they generally provided a good rate of return with commensurate risk for treasury cash portfolios, and instant liquidity/access when required.

Councillor Adrian Pascu-Talbure, in reference to paragraph 15, asked if officers had any comment on the average return being 1.06%. Phil Triggs said there had been a steep rise in rates since February 2022. That yield represented significant accrued interest from previous lower yield investments and as they dropped out over time they would be replaced with higher returns. The higher rate would be reported at the next meeting.

Councillor Florian Chevoppe-Verdier asked how the Council's average borrowing rate compared with other authorities. Phil Triggs said the figure in paragraph 7 was a weighted average for the whole portfolio which included older loans at higher rates, but it compared very favourably with other authorities.

Councillor Chevoppe-Verdier noted the Council was under-borrowed and asked if that was the Council's strategy. Phil Triggs said the strategy was to utilise the Council's internal cash reserves as an alternative to external borrowing until rates went down.

The Chair asked if officers expected the Government's 'mini budget' in September 2022 to have long term effects or if markets would return to their pre-budget baseline. Phil Triggs said the mini budget led to a steep rise in UK gilt yields, but markets had been calmer since then. He hoped that continued fiscal discipline would lead to lower borrowing rates in future.

Councillor Patel asked who made decisions about which assets to invest in. Phil Triggs said there was an approved strategy which was strictly adhered to. The strategy, based on advice from the council's treasury consultant, was approved every year by Full Council in February, in consultation with the Director of Finance.

Each asset class was set out in the strategy, prescribed with an upper limit. It was the job of the Director of Treasury and Pensions to ensure that the Council had a diversified basket of investments and a balanced portfolio.

## **RESOLVED**

The Committee noted the Treasury Management Strategy 2022/23 mid-year review.

### **5. STATEMENT OF ACCOUNTS 2020/21 - INCLUDING PENSION FUND ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT**

Sukvinder Kalsi (Director of Finance) introduced the report on the revised 2020/21 Statement of Accounts. He noted that some of the outstanding issues around classification from the last report had been addressed but there was one matter that was outstanding nationally and would require statutory regulations in the New Year to correct so the accounts would remain open until then. A further report would come to the Committee in March to formally close the accounts.

Andy Conlan (Grant Thornton) took members through the detail of the report.

Councillor Adrian Pascu-Tulbure noted the report said there was some difficulty getting information from third-party providers and asked how that could be improved in future. Andy Conlan said that was an issue for all authorities. Auditors sent requests to a large number of third parties (e.g. banks and investment firms). Some were more complex than others. The Auditors worked closely with the Finance team to ensure they had the information they needed.

The Chair asked how much of the delays were from Covid and how much were normal behaviour. Andy Conlan said remote auditing took longer and noted it was getting better as more workplaces returned to normal.

Councillor Florian Chevoppe-Verdier asked what the end of the contract for the Private Finance Initiative referenced on page 71 meant for the service. Craig Tucker said he would need to go back to the service for detail.

**ACTION: Craig Tucker**

Councillor Chevoppe-Verdier asked what the TfL capital grants referred to on page 90 were. Craig Tucker said they were likely to be highways infrastructure, but he could get more detail from the service.

**ACTION: Craig Tucker**

Councillor Chevoppe-Verdier asked officers and partners to ensure that future reports were fully accessible.

**ACTION: All report authors**

Councillor Chevoppe-Verdier noted the report suggested on page 197 that 2000 employee contracts hadn't been signed and asked what had happened. Andy Conlan clarified that a sample of contracts had been checked and confirmed all had

been signed would have required checking all 2000. He said he would follow this up in the audit plan for 21/22.

**ACTION: Andy Conlan**

The Chair asked what the basis was for estimating assets and liabilities (on page 88) given the differences between the Council's numbers and those of the LPFA. Patrick Rowe said the H&F fund had a separate actuary with their own assumptions. Phil Triggs added that it could also be due to the characteristics of the different memberships.

Councillor Chevoppe-Verdier asked if the assurance around information rights was from an audit by the ICO or if it was self-assessed (page 151). Craig Tucker said he could follow up with the service.

**ACTION: Craig Tucker**

The Chair noted that page 116 showed non-dwelling rents of £40k for 2019/20 but nothing for 2020/21 and asked for an explanation. Sukvinder Kalsi said it was probably due to disposals, but he would check with the service.

**ACTION: Sukvinder Kalsi**

The Chair asked how much of the increase in rent arrears shown on page 118 was due to Covid and how much was due to other financial issues. Sukvinder Kalsi said the increase reflected the rent increase in 2021 as well as the impact of Covid. He expected this to increase further due to the ongoing cost-of-living crisis.

Councillor Chevoppe-Verdier asked when the new code of practice for local authority accounting came into force and its impact on the cost of audits. Craig Tucker said the code was updated every year and approved by CIPFA. There had been no major changes in recent years, but changes could impact costs if additional work was required, and infrastructure assets were an example of that. Councillor Chevoppe-Verdier encouraged officers to send responses to Government consultations to relevant committees.

**ACTION: All officers**

Paul Dossett (Grant Thornton) said audit costs were driven by accounting and auditing standards. Two changes were coming on fraud and on risk assessments and estimation. Those will come with the 2022/23 audit.

The Chair noted the delay getting the bank reconciliation process operational (referred to page 195) and asked if it had been resolved. Andy Conlan said it was a recurring issue and he would speak with management to see if there had been progress during the 2021/22 audit. Craig Tucker added that it was being done monthly and updates were being provided to the auditors.

The Chair questioned why the draft letters of representation started 'Dear Sirs'. Andy Conlan said he would make them more inclusive.

**ACTION: Andy Conlan**

## **RESOLVED**

1. That the Committee noted the revised Statement of Accounts for 2020/21 (Appendix 1).
2. That the Committee noted that the accounts remain 'unaudited' until final sign-off by the external auditor.
3. That the Committee noted the content of the external auditor's revised 'Audit Findings Report' (ISA260), including the auditor's findings, recommendations and the Council's response to those recommendations (Appendix 2).
4. That the Committee approved the amended 2020/21 management representation letters (Appendices 3 and 4).

## **6. EXTERNAL AUDIT PLAN**

Andy Conlan (Grant Thornton) presented the external audit plan for 2021/22 for the Committee to note and comment on.

The Chair asked if officers supported the move to more working on site. Craig Tucker said his team welcomed a return to in-person audit work.

The Chair asked a question about the increase in fees and the reasoning behind it. Sukvinder Kalsi said that would be covering in Item 7.

## **RESOLVED**

1. That the Committee noted the content of the external auditor's Audit Plan for 2021/22 (Appendix 1).
2. That the Committee noted the content of the Informing the Audit Risk Assessment Report for 2021/22 (Appendix 2).

## **7. EXTERNAL AUDIT APPOINTMENT OF GRANT THORNTON 2023-28**

Sukvinder Kalsi (Director of Finance) presented the report which notified the committee of the appointment of Grant Thornton by Public Sector Audit Appointments (PSAA) as external auditor for 2023-28. He noted there would be a significant increase in fees as the sector underestimated the work required when the framework was first introduced.

Councillor Ashok Patel said he would like to see the other bids for the contract. Sukvinder Kalsi said he could request detail of the procurement process and the bids from PSAA.

**ACTION: Sukvinder Kalsi**

Councillor Florian Chevoppe-Verdier said he would be interested in seeing quotes from outside the PSAA to give a wider view of market. David Hughes explained that PSAA carried out a full competitive tender covering 98 percent of authorities. Most authorities had signed up due to the economies of scale offered.

Councillor Chevoppe-Verdier and other members expressed concern that the Council did not appear to have any control over the cost. He asked if there were any assurances that the fees would be in the proposed range. Sukvinder Kalsi said officers had made representations to PSAA that the fees were unsustainable. There was sector-wide concern about the increase. However, the Council needed an external auditor, both legally and to provide assurance to members, residents, and partners that the Council was a well-managed organisation.

Sukvinder Kalsi said officers would bring back a note to the Committee on the fee structure once it had been agreed.

**ACTION: Sukvinder Kalsi**

Councillor Patel noted that the Act regulating the process required a 'local auditor' and asked if any local auditors had been approached. The Chair explained that there were a limited number of accredited auditors that could undertake an audit of this size and complexity. David Hughes further clarified that 'local auditor' was a term used by PSAA. He said officers would circulate the original decision report from December 2021. He added that a small number of authorities didn't join the framework, but they had issues around cost and quality.

## **RESOLVED**

1. That the Committee noted the appointment of Grant Thornton by the PSAA as external auditor for 2023-28.
2. That the Committee noted the potential significant increase in audit fees for the 2023-28 cycle.

## **8. INTERNAL AUDIT PROGRESS REPORT (SEPTEMBER TO OCTOBER 2022)**

Moira Mackie (Head of Internal Audit) introduced the report which summarised the status of work included in the 2022/23 Internal Audit Plan as at the end of October 2022. Eight audits were finalised, one of which received a Substantial assurance opinion, five receiving Satisfactory assurance and two Limited assurance. The two Limited assurance reports were regarding William Morris Sixth Form and tenants service charges.

Mary Berrisford (Principal at William Morris Sixth Form) attended the meeting and noted that all of the recommendations had been agreed and implemented.

Councillor Florian Chevoppe-Verdier asked how many of the recommendations in Appendix 1 had been actioned. Moira Mackie said Appendix 1 showed the number of recommendations following the initial audits. Officers would follow those up, then report back to members if any of those recommendations hadn't been implemented.

Jon Pickstone (Strategic Director of Economy) attended the meeting to discuss the tenant service charges limited assurance report. He said a recent Cabinet report addressed the areas raised in the audit. David Hughes agreed and said the service had moved on since the audit work was undertaken.

Councillor Ashok Patel asked what procedures had been put in place for each of the areas receiving limited assurance audits. Moira Mackie said the recommendations for William Morris Sixth Form related to putting in more robust procedures around purchasing. All the recommendations had been implemented. Jon Pickstone explained that the tenant service charge issues were more complex, as they related to the fact that the service charge framework set in 2012 wasn't recovering the full cost of the service, but a lot of work had been done to resolve them.

Councillor Chevoppe-Verdier noted that a project team had been put in place and asked what that looked like in practice – how many officers were involved? Jon Pickstone said the core group consisted of officers from the Finance and Economy departments and they worked with Legal when required. The group had oversight from the Chief Executive and the Strategic Director of Economy.

Councillor Chevoppe-Verdier asked Mary Berrisford if the School Business Manager position had been filled. She replied that it had been filled in February 2022.

## **RESOLVED**

The Committee noted the Internal Audit Progress report.

### **9. CORPORATE ANTI-FRAUD SERVICE HALF-YEAR REPORT – 1 APRIL 2022 TO 30 SEPTEMBER 2022**

This item was deferred.

### **10. ANTI-FRAUD POLICY REVIEW**

This item was deferred.

### **11. INTERNAL AUDIT CHARTER**

This item was deferred.

### **12. DATE OF NEXT MEETING**

The Committee noted the date of the next meeting:

- 13 March 2023

Meeting started: 7.00 pm  
Meeting ended: 8.57 pm

**Chair** .....

**Contact officer** David Abbott  
Governance and Scrutiny  
☎: 07776 672877  
E-mail: david.abbott@lbhf.gov.uk

# Agenda Item 4

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 13/03/2023

**Subject:** Statement of Accounts 2021/22 – Audit Progress Report

**Report of:** Christopher Harris, Head of Finance – Corporate Accountancy and Finance Systems

**Responsible Director:** Sukvinder Kalsi, Director of Finance

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### SUMMARY

This report provides an update on the progress of the audit of the 2021/22 accounts and the finalisation of the 2020/21 accounts.

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### RECOMMENDATIONS

1. To note the contents of the external auditor's Audit Progress Report (Appendix 1).
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**Wards Affected:** All

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### H&F Values

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Being ruthlessly financially efficient	The Statement of Accounts details the authority's financial activity for the year and forms the cornerstone of fiscal responsibility and control together with the attainment of value for money.

### Financial Impact

This report is for information only and consequently there are no direct financial implications. The report does however concern the audit of the Council's Statement of Accounts and in that regard is wholly of a financial nature.

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### Legal Implications

There are no direct legal implications in relation to this report.

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**Contact Officer(s):**

Name: Christopher Harris

Position: Head of Finance – Corporate Accountancy and Finance Systems

Telephone: 020 8753 6440

Email: [Christopher.Harris@lbhf.gov.uk](mailto:Christopher.Harris@lbhf.gov.uk)

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**Background Papers Used in Preparing This Report**

None.

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**Statement of Accounts 2021/22**

1. The 2021/22 draft Statement of Accounts were published in July 2022, in accordance with statutory deadlines, and are available on the Council's website here:

[https://www.lbhf.gov.uk/sites/default/files/section\\_attachments/hf-unaudited-statement-of-accounts-2021-22.pdf](https://www.lbhf.gov.uk/sites/default/files/section_attachments/hf-unaudited-statement-of-accounts-2021-22.pdf)

2. It is anticipated that the final accounts will be presented to the Audit Committee in June 2023 further to the completion of external audit work and the presentation of the external auditor's Audit Findings Report (see below).

**Audit Progress Report**

3. The Council is externally audited by Grant Thornton UK LLP ("GT"). GT have provided an audit progress report attached at appendix 1.
4. The report provides an update on work completed to date in respect of the audit of the 2021/22 accounts and a summary of areas outstanding.
5. GT anticipate finalising audit work in the coming weeks and plan to present their Audit Findings Report to the June 2023 Audit Committee.
6. The report also provides a short update on the finalisation of the 2020/21 accounts.

**LIST OF APPENDICES:**

Appendix 1 – Grant Thornton/London Borough of Hammersmith and Fulham – Audit Progress Report March 2023

# London Borough of Hammersmith and Fulham - Audit Progress Report

**Year ending 31 March 2022**

March 2023



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

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# Introduction

## Your key Grant Thornton team members are:

### Paul Dossett

Key Audit Partner

T 020 7728 3180

E [Paul.Dossett@uk.gt.com](mailto:Paul.Dossett@uk.gt.com)

### Andy Conlan

Engagement Senior Manager

T 020 7728 3073

E [Andy.N.Conlan@uk.gt.com](mailto:Andy.N.Conlan@uk.gt.com)

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

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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

# Progress at March 2023

## Financial Statements audit – Council

We undertook our initial planning for the 2021-22 audit in October 2022, and in November we issued a detailed audit plan which covered both the Council and the Pension Fund, setting out our proposed approach to the audit of the Authority's 2021-22 financial statements. This allowed us to quickly progress into the fieldwork for the Council and Pension Fund 2021-22 financial statements following the delays in completion of the 2020-21 audit fieldwork.

Fieldwork, including sampling and testing, began in November 2022 and in general substantial progress was made across the audit. We have summarised progress on the sample testing areas. There have been some areas of sampling where return of samples has been delayed (acknowledging that December is a time when members of both the finance team and audit team have taken annual leave which as expected does introduce a delay into the audit process as teams pause work).

Overall progress on the sample testing can be summarised as follows:

- 75% of samples issued have been processed and either cleared or have a query raised with the finance team;
- 15.5% of samples are received but being processed by the audit team; and
- 9.5% of samples requested are outstanding with the Council Finance Team.

There have been some delays in receiving certain items which have delayed progress as follows:

- Full General Ledger transaction listings for the Council and Pension Fund that we require in order to carry out our Journals testing addressing the significant risk of management override of controls. This was requested by the audit team in the initial request list in November but not completed until February meaning samples for journals have only been selected recently and this testing is ongoing. We note that this item was to some extent outside of the control of the Council finance team where the request required input from the Council's service provider;

- There have been delays in the provision of listings/information relating to the Council's Collection Fund sub-system which have prevented the testing in these areas from progressing to timetable. This has impacted the areas of testing for Collection Fund reliefs, debtors and creditors. It is acknowledged that Council officers in these areas have been extremely busy delivering cost of living support (including energy rebate schemes and household support grants), ongoing administration of covid business grants and supporting the 2023/24 budgeting process and annual billing. As a result, officers have not always been in a position to respond promptly to our requests and for those areas cited testing remains ongoing.

We note that due to the extended length of audit fieldwork, we have needed to utilise some audit team members to support other audits being completed by our firm in the latter half of February which has also caused some delay specifically in clearing audit samples and in completing the Land and Building Valuation audit work.

### Work outstanding with the audit team:

- Much of our audit testing relies on substantive sample testing, see pages 5 and 6 for the current progress against samples selected.
- Asset valuation – we have engaged an auditor's expert to review the valuation reports that have been provided by the managements' valuers. We are currently assessing the outputs from this exercise and this could lead to further challenge of the Council's valuation expert.
- Senior management review of completed audit sections which could lead to further queries/challenge being raised.

### Pension Fund audit:

We have made good progress on the significant risk area of this audit. There remains some sample testing outstanding, but we expect this to be completed by the end of March.

### Indicative timetable to completion

We are collaborating closely with your finance team, including weekly catch up calls, in order to resolve the outstanding work above. We would expect to complete this by the end of March with senior management file review thereafter. We therefore expect to report our full Audit Findings Report to the June Committee meeting and sign the auditor's report alongside that meeting.

# Progress at March 2023 (cont.)

Sample Area	Sample size	Sample evidence not yet received	Samples evidence received – being processed by audit team	Sample cleared or queried with finance team
Journal Entries ( <a href="#">Note 1 see below table</a> )	27	0	27	0
Property, Plant and Equipment Opening Balances	50	0	6	44
Additions & REFCUS	26	0	2	24
Extended Addition Samples	10	0	10	0
Disposals	1	0	0	1
OLB Revals	13	0	13	0
Property, Plant and Equipment – Assets under construction	7	0	0	7
Property, Plant and Equipment – Assets held for sale	1	0	0	1
Property, Plant and Equipment - Surplus Assets	5	0	5	0
Investment Properties	24	0	12	12
Debtors	18	0	0	18
Cash & Cash Equivalents	27	0	0	27
Residual Creditors	21	0	0	21
Leases	10	0	0	10
Fees and Charges income	54	0	3	51
Grant Income	24	0	0	24
Collection fund income – Business Rate reliefs ( <a href="#">Note 2 see below table</a> )	35	35	0	0
Completeness (income/debtors)	27	0	0	27
Employee benefit expenditure (Starters and Leavers)	24	0	0	23
Employee benefit expenditure - Council Testing	10	0	0	10
Employee benefit expenditure - Schools Testing	11	0	0	11

# Progress at March 2023 (cont.)

Sample Area	Sample size	Sample evidence not yet received	Samples evidence received – being processed by audit team	Sample cleared or queried with finance team
Housing benefit expenditure	5	0	0	5
Other expenditure	91	0	10	81
Completeness (expenditure/creditors)	47	0	5	42
Capital disclosures	12	0	0	12
Exit Packages	5	0	0	5
Collection fund debtors – Business Rates ( <a href="#">Note 2 see below table</a> )	8	8	0	0
Collection fund creditors – Council Tax ( <a href="#">Note 2 see below table</a> )	12	12	0	0
<b>Totals</b>	<b>605</b>	<b>56</b>	<b>93</b>	<b>456</b>

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**Note 1** – As reported on page 4, the journals sample could only be picked late in the planned audit period when staff time was coming to an end. We have further audit team time arranged now to complete this testing.

**Note 2** – As reported on page 4, collection fund samples also could only be picked late in the planned audit period when staff time was coming to an end. Testing of these samples requires a meeting between the auditor and council officers in that area to walkthrough each item while sharing screens. We are agreeing times to complete this testing around the availability of audit staff and council officers.

# Progress at March 2023 (cont.)

## 2020-21 Financial Statement Audits

In November we reported our Audit Findings Report for the audit of the 2020-21 financial statements audit. We reported that work was substantially completed subject to a small number of outstanding areas of work, the main one being resolution of the national issue around infrastructure assets.

CIPFA have in December 2022 issued a statutory override for the issue which has amended the financial reporting and disclosures around infrastructure assets. The audit team and finance team discussed the override to agree an understanding of the accounts changes to be made, and the Council have promptly updated the financial statements in line with the guidance. We have reviewed the updated statements and we are satisfied that they have been updated appropriately and this audit issue is closed.

The audit file was picked randomly for a closing quality review by our firm Quality Support Team (a process put in place to ensure ongoing improvements to audit quality in line with FRC and regulatory requirements. This raised some additional audit queries as well as identifying a disclosure amendment required in the pension liability IAS19 note. We are now closing these points and expect to sign the statements by mid-March.

# Audit deliverables

2021-22 Deliverables	Planned date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council and Pension Fund 2021-22 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report.</p>	November 2022	Completed
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Audit Committee.</p>	June 2023	Not yet due
<p><b>Auditors Report</b></p> <p>This includes the opinion on your financial statements.</p>	June 2023	Not yet due
<p><b>Audit Findings Report – Pension Fund</b></p> <p>The Audit Findings Report will be reported to the Audit Committee.</p>	June 2023	Not yet due
<p><b>Auditors Report – Pension Fund</b></p> <p>This includes the opinion on your financial statements.</p>	June 2023	Not yet due
<p><b>Auditor’s Annual Report – Value for Money</b></p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.</p>	TBC	TBC



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## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 13/03/2023

**Subject:** Risk Management

**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. That the Committee review, note and comment on the report.
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**Wards Affected:** None

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<b>H&amp;F Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
<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 Impact

The current and future context for local government represents a significant risk to the council with the ongoing challenge of delivering services and increased demand with reduced funding levels. This is further impacted by wider economic factors leading to rising costs, inflation and further cuts expected in public spending. 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.

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. The council holds a corporate contingency budget and adequate levels of reserves to enable it to manage unforeseen costs.

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 in the Corporate Revenue Monitor to Cabinet and includes financial risks. Other corporate risks also identify financial pressures arising from demand and complexity of service provision which need to be managed.

*Comments verified by Sukvinder Kalsi, Director of Finance, 1 March 2023*

## Legal implications

There are no particular legal implications arising from this report.

*Comments verified by Grant Deg, Assistant Director of Legal Services, 1 March 2023*

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## Background Papers Used in Preparing This Report

None

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## DETAILED ANALYSIS

### 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, the Russian invasion of Ukraine, 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 financial challenges continue 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. The Corporate Risk Register is reviewed on a regular basis by the Council's Strategic Leadership Team (SLT) and then presented to the Audit Committee.
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. Officers continue to review and assess the impact of and implications for residents and the Council from the events in Ukraine. This includes ensuring that risks relating to the supply chain/contracts and cyber security are being appropriately and

robustly mitigated and where support is needed for those residents with families in Ukraine and neighbouring countries.

10. This report provides the Committee with an updated Corporate Risk Register, presenting a suite of risks as reviewed by SLT.

### Changes made since September

11. SLT members and Risk Owners have reviewed the Corporate Risk Register and agreed a number of changes which are reflected in the updated Risk Register provided in Appendix 1.
12. A number of the changes made since September 2022 (when the register was last presented to the Committee) recognise the significant economic uncertainty, particularly in respect of significant increases in inflation which is forecast to rise much further over the coming months. The report in September 2022 identified that this impacted sufficiently on Risks 6, 12, 16, 18 and 20 for their ratings to be increased. Following discussions at SLT Assurance in early November, it was agreed that the rating for Risk 26 (climate change emergency) should also be increased, as external economic factors, reductions in public spending and inflation will affect the affordability and range of mitigations which can be applied.
13. As reported in September 2022, the external auditor's annual report for 2020/21, while not finding any significant areas of weakness in the Council's arrangements for managing and reporting risk did recommend that the Corporate Risk Register should be reviewed and the number of risks on the register reduced.
14. As a result of this recommendation, SLT reviewed the Corporate Risk Register in November 2022 and considered those items which should remain on the corporate register and those which should be managed through departmental risk registers. In each case, the risk had been Green rated and had a Likelihood score of 2 for several quarters. This applies to Risks 7 (decision making), 10 (mutual aid arrangements), 11 (programme management framework and resourcing), 13 (mortuary provision), 23, (safety improvement works), 25 (Covid pandemic) and 29 (sub-regional waste management arrangements). The refreshed risk register now contains 22 risks, with the changes agreed by SLT reflected in the refreshed Register, is appended to this report.
15. SLT Assurance reviewed the Corporate Risk Register again on 1 March 2023, with the following changes being made:

#### *Reduction in risk score*

- Risk 6 (Care standards, adults and children's safeguarding, external provider performance) where the likelihood has been reduced following recent positive inspection outcomes, preparations being well advanced for the ILACS inspection due later this year, embedding of a rigorous quality assurance framework and robust contract management, monitoring and oversight arrangements of homecare providers. In adults, all four nursing homes are now CQC rated as **Good**. The in house Reablement service and Rivercourt short-breaks service have both been awarded a CQC rating of **Outstanding** for the third successive time. This is excellent news for H&F's vulnerable residents in terms of their health, safety and wellbeing.

- Risk 16 (High Needs budget pressure) was reduced due to a number of factors including positive take up by schools and other providers on the Early Support offer, data driven monitoring of the SEND Transformation programme in place and pipeline savings modelled for 2024-2026 in line with the Safety Valve requirements. However it should be noted that this area continues to be volatile and is subject to close monitoring.
- Risk 20 (short and medium term budget pressure in Social Care) was reduced due to adult social care and public health budgets being balanced for 2022/23 through the delivery of savings and savings/growth being agreed for 2023/24.

*Increase in risk score*

- Risk 27 (Housing repairs and contractor performance) was increased due to the government focus on damp and mould issues nationally and a number of adverse findings from the Housing Ombudsman in respect of housing repairs complaints. A number of actions are being taken to bring about improvements in the repairs service, to increase contractor capacity, in the handling of resident and Ombudsman complaints and to implement improvements arising from learning from recent Ombudsman cases.

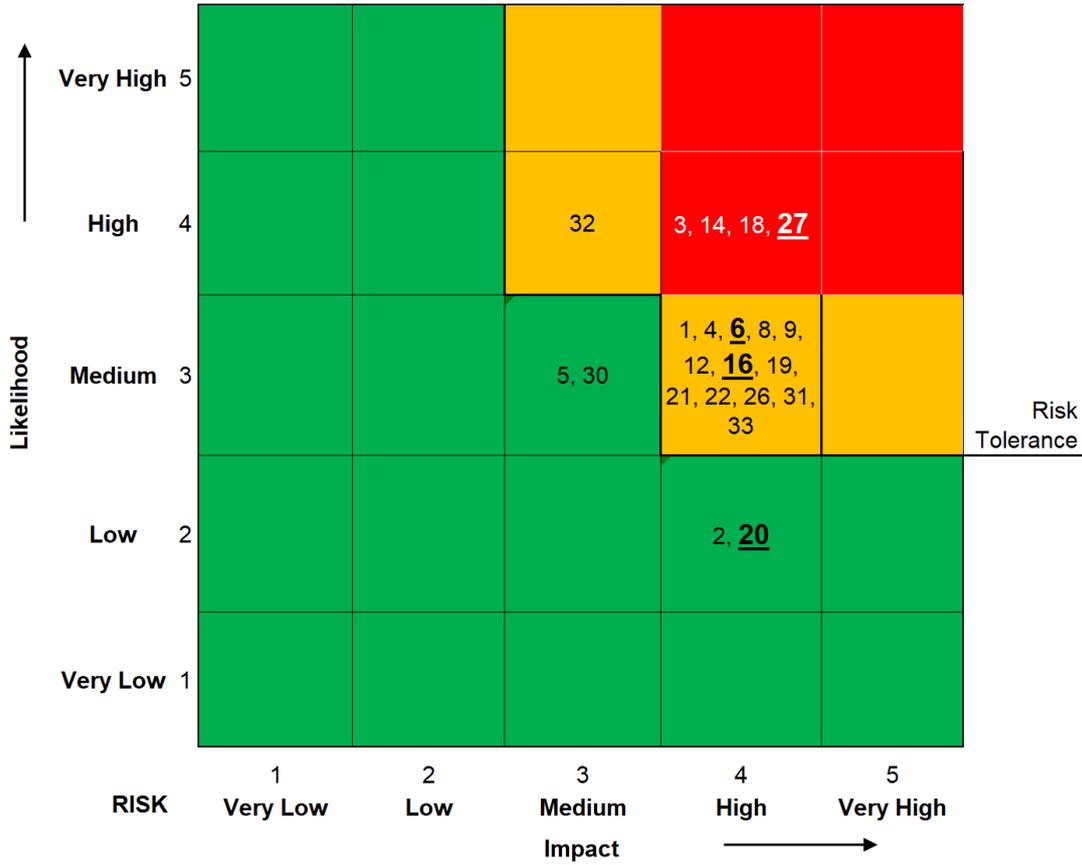
16. No new risks have been added to the register since September 2022.

**Corporate risk register – heat map**

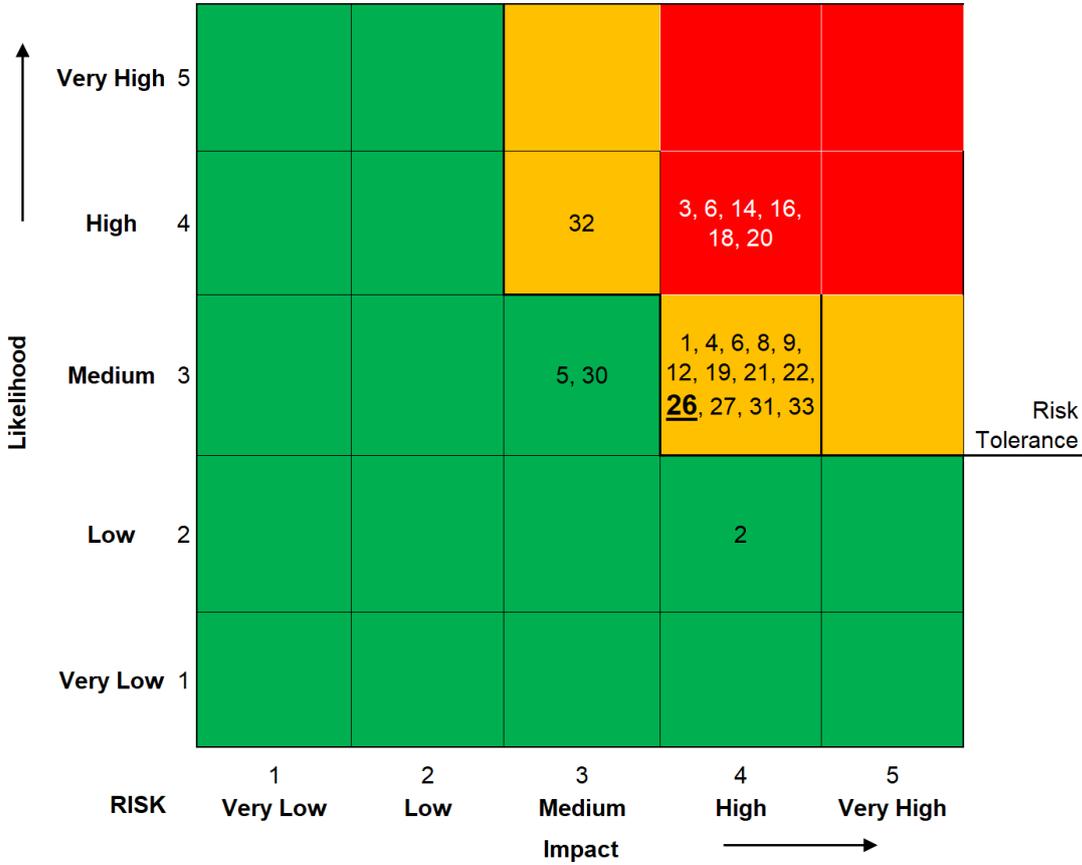
17. The Corporate Risk Register is set out in Appendix 1 and summarised in the following Heat Map as at Quarter 4 for 2022/23, with Quarters 2 and 3 for 2022/23 provided for comparison. Risks which have been subject to change since the Quarter 2 Risk Register was reported to the Committee in September 2022 are shown in the larger bold underlined type:

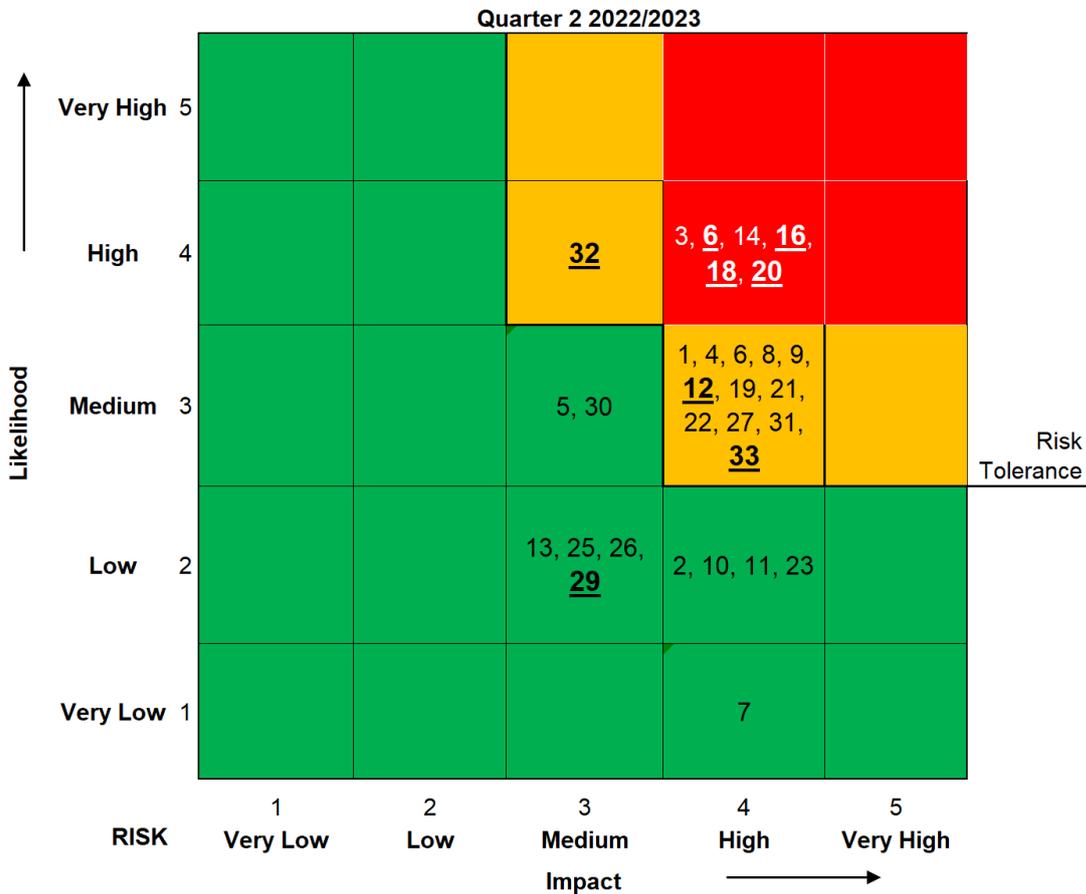
**OVERVIEW RISK HEAT MAP**

Quarter 4 2022/2023



Quarter 3 2022/2023





### Risk appetite

18. 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 with the ongoing challenges faced by the Council, there is a need to continue to 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.
  
19. The ongoing situation in Ukraine continues to impact on the cost of domestic and business energy costs and fuel costs for activities such as transport and heating. Inflation has been rising quickly since the beginning of the year and is likely to rise further and remain high for some time. The cost of living crisis is also likely to lead to increased demand for services where residents will need more support.
  
20. These factors impact on the Council in a number of ways including its staffing costs (including the level of pay awards), the cost of borrowing (particularly where it is needed for ongoing/planned capital works), cost pressures on contractors providing Council services (staffing, fuel, materials). The impact will also be felt by partner organisations (such as schools and the voluntary and community sector, where officers will closely monitor the impact and consider any support the Council will be able to provide.
  
21. A key concern for the Council is the impact that the cost of living crisis being experienced by residents through inflation and rising energy costs as well as the

ongoing economic uncertainty (including the potential for rising unemployment). A [range of support measures](#) are being offered to residents and officers will continue to assess the situation and consider what further actions can be taken.

22. At the July 2022 meeting it was agreed that the impact of inflation and risks which could arise or may be heightened by increases in inflation would be factored into the Corporate Risk Register. In reviewing the Register in November 2022, further changes to risk ratings and risk mitigations were included in the register. This matter is kept under regular review by SLT, and a further review of the Register was carried out in March 2023. This is done to ensure that ongoing impacts are recognised and appropriate mitigations put in place to protect Council services and local residents.
23. 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.

## **Conclusions**

24. Local authorities will continue to face significant pressures over the coming months, with the prospect of further reductions in public spending, combined with external economic pressures and concurrent demand led pressures. Council officers and services continue to respond with 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 – March 2023**

Council Priority	Risk	Risk No.	Q3 22/23 Likelihood	Q3 22/23 Impact	Q4 22/23 Likelihood	Q4 22/23 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	4	3	4	<p>The Council has a well-established Corporate Procurement Team and recently a Peer review (by Cardiff City Council) of the Council's operating model for Commissioning and Procurement was completed. The Council is considering the outcomes and future options. 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.</p> <p>Under the category of IT system procurement, Digital services supports departments through procurement process with Strategic Relationship Managers and project delivery team. A robust process to comply with standing orders exists as well as fortnightly contract monitoring process. There has been initial development of work under the place category to support the pipeline of capital and HRA investment.</p> <p>Assistant Director Procurement and Commercial in post and restructure of function progressing. Interim arrangements now in place with two procurement leads assisting with move to category management. Headline category management analysis shared with SLT. Sourcing Strategy agreed at Cabinet, now working through operational delivery plans. For social value this will include updated ITTs from the new financial year, refreshed training on evaluation of social value specifically and review of the contract with SVP for the future. Forward Plan been to SLT and further work is required by departments to refine their forward planning processes as we prepare for a change to procurement regulations later in the new financial year. .</p> <p>Work is now beginning on contract management overview with an in-depth focus at gap several times a year.</p>	M	Stable	Sukvinder Kalsi
Being ruthlessly financially efficient	Failure to maintain services to residents in the event of significant events/incidents where business resilience arrangements (systems, processes, resources, IT) may be compromised.	2	2	4	2	4	<p>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.</p> <p>Work is being undertaken to review where services need BCPs and to have these updated and uploaded onto our central Clearview system where they will be reviewed by the Emergency Planning Team. The Environment will have all their plans completed in Clearview by end of March. Training dates are being put in place for other departments across the organisation who will need to input their plans into Clearview. Department BC plans currently in Word remain valid in the meantime.</p>	L	Stable	Bram Kainth
Being ruthlessly financially efficient	Failure to maintain services to residents in the event of IT systems being compromised and affecting service resilience.	3	4	4	4	4	<p>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 against a backdrop of increasing costs. Digital services held mitigation workshops 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. Digital Services has enhanced its email security, improving the filtering and monitoring of traffic from devices to prevent phishing attacks and malware contained within email which may result in user credentials becoming compromised. Digital Services are strengthening the security of shared tenancy data through standardising H&amp;F, RBKC and WCC policies and controls to reduce the risk that a compromise of one boroughs data could affect all. Internal Audit continue to provide assurance in this area, with the most recent audit report dated September 2022 on Ransomware Prevention finding the councils controls for an attack as providing 'satisfactory assurance'. In Feb 2023 Digital Services participated in an expert led cyber security workshop and will be working through the key recommendations of the Cyber Treatment Plan to identify opportunities to improve the security of our systems further.</p>	H	Stable	David Tatlow
Being ruthlessly financially efficient	Information management and digital continuity, regulations, legislation and compliance.	4	3	4	3	4	<p>The nature of the Council's business activities means that there are ongoing information governance risks, including network security, which continue to be managed. These risks are managed through a range of organisational measures including Information Management (IM) &amp; 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. The Council continues to monitor the regulatory environment to ensure continued compliance with information governance obligations. Digital services engaged with services across the council to update H&amp;F's Information Asset in 2021 and procured a software solution to enable the maintenance of H&amp;F's asset register in 2022 leading to improved compliance with information assets laws and quicker identification, assessment, and mitigation of information related risks. An appropriate naming convention for assets is in development to enable appropriate identification of H&amp;F data, and work has begun in 2023 to improve the quality of data</p>	M	Stable	David Tatlow

**Appendix 1 - Corporate Risk Register – March 2023**

Council Priority	Risk	Risk No.	Q3 22/23 Likelihood	Q3 22/23 Impact	Q4 22/23 Likelihood	Q4 22/23 Impact	Current position	Residual Exposure	Status	Lead Director/ Risk Owner
							in the system working alongside service area contacts. H&F alongside other London Boroughs are working with the Police, Probation Service, Health Service, and other partners to produce pan-London data sharing agreements (DSA) to support the lawful sharing of personal data in an efficient way through sharing resources. This work is being led by members of the Information Governance for London (IGfL) group, supported by the London Office of Technology and Innovation (LOTI). Digital Services has been recruiting to its new target operating model, we have successfully recruited to a new Information Security Manager post in April 2022. Digital Services will fill the Information Management Officer post in Feb 2023.			
Creating a compassionate council	Managing statutory duties, equalities, human rights, duty of care regulations, highways. * Health and Safety moved to new Risk 32	5	3	3	3	3	The Chief Executive chairs the Statutory Accountabilities Board, whose membership includes the Monitoring Officer (Director of Resources), Section 151 Officer (Director of Finance), 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	Stable	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	4	4	3	4	<u>Children's Services</u> Ofsted: Recruitment continues for children's assessment team. The new duty cycle has commenced enabling teams to have four rather than three weeks between duty weeks. Refreshed inspection readiness activity in place for ILACS inspection anticipated this year.  QA programme: Application of the rigorous QA Framework continues with a recent focus on care leavers to reflect the change making care leavers a separate inspection judgement. Planning has commenced for the next Practice Week in April.  HMIP: July inspection rated the YJS outstanding.  Corporate BI: Ongoing implementation of BAU dashboards for EHC service. Significant focus on SEN2 statutory return and data requirements for the SEND Inspection framework.  School Improvement Team: 97% of schools good or outstanding. William Morris Sixth form went from RI to Good.  SEND Inspection: SLT Assurance and CHESC briefed. Ongoing work with Council departments to ensure inspection readiness including BI data requirements and cross council work to ensure timely transitions for young people.  Recent inspection of the Haven, confident of positive outcome. Appointed a new registered manager for the Haven through a get ahead opportunity on a career graded post.  <u>Adult Social Care</u> ASC commissioning work closely with commissioned providers to manage risk through regular and focused contract monitoring meetings. For homecare providers, twice weekly SITREP meeting are held and commissioning in liaison with our Quality Assurance Leads also carry out regular visit to provider locations and carry out quality checks in resident's own homes. Quality Leads are focused on understanding home care provider systems and processes in order to suggest improvements have been assigned to each main homecare provider.  For our four nursing homes focussed, monthly Joint Operational Group meetings involving the provider, health, GPs and H&F are held to support the entire health and social care system and hospital discharge pathway. Three out of four care homes are now rated as Care Quality Commission – Good. This is a significant improvement in quality and demonstrates the work that's gone into improve standards.  Where providers evidence consistent poor performance contractual sanctions are considered and performance improvement plans put in place to support improvements and keep our residents safe. This feeds into discussions that take place at as monthly ASC Care Governance & Quality Assurance Board. The board meets to share, discuss and agree actions in relation to information received both internally and externally regarding providers of services. Monthly forums with all providers are in place. The Strategic Director also chairs a six-weekly CQC area leads meeting where all parties are keeping	M	Reduced	Jacqui McShannon/ Lisa Redfern

**Appendix 1 - Corporate Risk Register – March 2023**

Council Priority	Risk	Risk No.	Q3 22/23 Likelihood	Q3 22/23 Impact	Q4 22/23 Likelihood	Q4 22/23 Impact	Current position	Residual Exposure	Status	Lead Director/ Risk Owner
							<p>abreast on quality of care issues with regulated care providers.</p> <p>The cost of living crisis will have a potential impact on the care market as some providers may be forced to close.</p> <p>Notting Hill Genesis &amp; Shepherd's Bush Housing Group who have told us they wish to sell their extra care housing blocks. So, we have a major housing transfer and potential decants to deal with. We are trying to minimise any disruption and inconvenience caused to residents – as we are most concerned about the impact these changes may have on them.</p>			
Being ruthlessly financially efficient	Failure to identify and address internal and external fraud.	8	3	4	3	4	<p>Policies are reviewed annually at Audit 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 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 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	3	4	3	4	<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. New commercial terms agreed with Morgan Sindall to ensure sustainable delivery model. Mears overheads agreed. Risk remains in the sector from high inflation, material supply chains and labour shortages. Risk based assessment in place for 27 buildings over 18+ metres with combustible spandrels/infill panels. Data regularly updated with DHLUC on DELTA system. New Fire Safety Regulations came into force 23 Jan 23; systems in place, reporting will be via monthly compliance-based report. Compliance based capital works, including fire door upgrades, sprinkler installation, dry riser installation etc continues. FRA actions (2,254) via DLO continue with estimated two-year completion date: 0 P1s and 583 P2s. Programme of lone working training &amp; devices continues to be rolled out to officers.</p>	M	Stable	Jonathan Pickstone
All Council Values	Unable to retain talented people in key posts at LBHF.	12	3	4	3	4	<p>In terms of key posts, we have signed up to the social worker London Pledge to help control costs. Providing an opportunity to work as a region to stop this growing trend in its tracks by sticking to the capped pay rates in our recruitment of new agency candidates. The aim is to be able to stabilise agency pay rates and achieve reductions over time. The maximum pay rates in the London Pledge (which relates to children's social work) offer local authorities flexibility in times of need. Through London Councils, information is shared regularly relating to hard to fill / key posts. Work is underway at London Councils to broaden the appeal of Local Government in the employment market to make an impact on attracting suitable, high-quality candidates.</p> <p>We are carefully monitoring our turnover position and our HR Business Partners are working closely with SLT leads and their management teams to identify workforce planning needs going forward. Whilst we are seeing some churn, our retention and turnover rates are stable but under constant review.</p> <p>The People Strategy implementation including the 'H&amp;F Way' culture change movement has been refreshed to align to 3 key focus areas – healthy workplace, inclusive workplace and agile workplace with input from our staff-led networks addressing the issues that most concern our workforce to improve our employer reputation and ability to retain talent.</p> <p>People and Talent continue to lead on activities to further improve our Employer Value Proposition (EVP) and ensure we can continue to attract and retain talent. In addition to our new Onboarding Portal, we have signed up to secure accreditation with Timewise which will help to promote H&amp;F as a fair and flexible employer. We have moved up a level in our accreditation for Disability Confident and have signed up to Purple Space and Opening Doors. Other initiatives we are actively promoting to raise our EVP and secure talent for the future is our H&amp;F Academy (apprenticeships, graduates, supported interns &amp; Get Ahead) for which we have been shortlisted as finalists with PPMA Excellence in HR and the LGC (again this will ensure we can attract new talent and retain existing talent through reinforcement of our</p>	M	Stable	David Tatlow

**Appendix 1 - Corporate Risk Register – March 2023**

Council Priority	Risk	Risk No.	Q3 22/23 Likelihood	Q3 22/23 Impact	Q4 22/23 Likelihood	Q4 22/23 Impact	Current position	Residual Exposure	Status	Lead Director/ Risk Owner
							<p>commitment to being a learning organisation. We have published our new Total Rewards intranet pages accessible to all internal staff (August 2022).</p> <p>The Council is committed to staff wellbeing, learning and development and continues to deliver online and virtual wellbeing and learning and development events including Get Ahead, World Class Managers, Aspiring World Class Managers, Emerging Leaders, an Introduction to Project Management and much more. Most recently we have launched online learning relating to DVAWG and Customer Service Excellence. Future Wellbeing Wednesday sessions will focus on support for staff through the cost-of-living crisis. Wellbeing Wednesdays, Wellbeing Champions (mental health first aiders), mandatory recruitment for hiring managers and a suite of manager essentials courses. New initiatives include our enhanced offer for Care Leavers and delivery of our corporate disability equality training.</p>			
Doing things with, not to residents	Failure to deliver the Civic Campus Programme.	14	4	4	4	4	<p>The project remains at 4 based on the delays to the programme from the incident, termination of architects and commercial and contractual discussions. Highlights include:</p> <ul style="list-style-type: none"> <li>- <b>Investment Requirement</b> - Investment paper agreed at Cabinet on 6th February, outlining 10 recommendations. This will be reflected in the highlight report for the next reporting period.</li> <li>- <b>Contract A (Town Hall build)</b>: Collapsed steelwork removal is complete, with the Phase 1 steel installation recommenced and Phase 3 Truss installation commenced.</li> <li>- <b>Contract B</b>: Works continue to progress at a good pace with the show apartment complete in block C (King Street side) and the foundations and pile caps complete in the commercial block housing the energy centre, cinema and other commercial spaces.</li> </ul> <p>Without ownership and strategy for building operational IT, Digital Services cannot deliver the required network facilities. In addition to this, the builder Ardmore has not made available a detailed programme plan.</p>	H	Stable	Jonathan Pickstone
Page 4 Creating a compassionate council	High needs budget pressure continues, impacting on provision of services for vulnerable young residents.	16	4	4	3	4	<p>The Early Support offers: positive take up by schools and other providers. This is a long term strategy for which the measurable financial gains will take some time to realise.</p> <p>The SEND Transformation programme: Monitored monthly, these meetings are data driven to monitor and measure the impact of the changes that have been implemented.</p> <p>Delivery savings targets: Pipeline savings modelled for 2024/25 and 2025/26 to close the structural in year budget gap in line with the Safety Valve requirements however the delivery of the savings remain high risk and require significant engagement from Adults to support progressing timely transitions to adult services.</p> <p>COVID Impact: Increase in requests for ECHNAs and EHCPS which is linked to the number of children coming into early years and year 1 with additional SEND needs. This creates additional pressure on the high needs block. This concern is also acerbated by the impact of rising costs for schools with no increase in funding.</p> <p>Therapist shortages: Officers have been working in partnership with the Integrated Care Board (ICB) and provider to mitigate the gaps in SALT provision however there does remain pressures in the system which the provider continues to work closely with schools on.</p>	H	Stable	Jacqui McShannon

**Appendix 1 - Corporate Risk Register – March 2023**

Council Priority	Risk	Risk No.	Q3 22/23 Likelihood	Q3 22/23 Impact	Q4 22/23 Likelihood	Q4 22/23 Impact	Current position	Residual Exposure	Status	Lead Director/ Risk Owner
All Council Values	Management of complaints, requests for information, members enquiries	18	4	4	4	4	<p>There are still performance concerns about handling of repairs and associated complaints. An improvement plan is in place and being overseen by SLT.</p> <p>Regular reporting to SLT and controls are in place and action being taken to address areas of concern. LGSCO is satisfied with improvement trajectory and actions being taken.</p> <p>Main ongoing risk is with Housing Ombudsman. We have received judgements of severe maladministration in respect of four cases. The risk of an inspection or further intervention is increased by this. These judgments relate to older cases. All cases have been investigated and robust responses prepared for the Ombudsman detailing all of the changes the services have implemented since that time. All ombudsman complaints and their handling are now overseen by an SLT led Board to ensure the Authority achieves a good level of service both to residents and those that regulate these services. A review of all cases currently with the Ombudsman is being completed and the cases being closely managed by the service, along with a review to identify and implement improvements arising from recent Ombudsman reports.</p> <p>An enquiry has also been received from the Housing Regulator in respect of a damp and mould case. The case is known to us and being resolved.</p> <p>Potential risk in respect of SARs performance and ICO intervention as compliance is at a low level and ICO have intervened in other London Boroughs Focussed work on this to identify root cause and areas for improvement. There has been significant improvement in SARS performance in the first month of quarter 4.</p>	H	Stable	Bram Kainth/ Jonathan Pickstone
Being run efficiently financially	Financial Management - Medium-Term Planning.	19	3	4	3	4	<p>The Council's financial operating environment remains challenging (with the expected pressure on public finances and the impact on services from the current high inflation levels and interest rates). This will increase all operating costs including pay and external service contracts, affect the affordability of regeneration programmes, reduce our commercial income and increase arrears on rents, council tax, business rates as households, visitors and businesses reduce costs. It will also impact of services especially homelessness and other welfare services. In addition, there are many national reforms in progress (business rates, social care funding, social housing rent caps) and there are substantial demographic and new legislative burdens. The Council has a well-developed and established medium term financial planning process (for revenue, capital and treasury management). Our current MTFS indicates significant budget deficits from 2024/25 (in excess of £18m in 2024/25) The General Fund financial position is relatively strong (stable debt levels, reserves and cash balances) but the outlook is more difficult on the HRA (although the recent decision by Cabinet on the 6 February 2023 on rents/service charges has increased financial resilience of the HRA).</p> <p>The Council has also established strong in year financial governance arrangements (from Finance SLT to DMTs). The CRM 9 report for 2022/23 indicates a residual pressure £1.9m (before mitigations and use of unallocated policy contingencies). A balanced revenue outturn is expected for 2022/23 and the full details will be reported in the Outturn Report to Cabinet in September 2023. I. It is expected that some additional use of reserves will be required on the HRA in 2022/23 (in addition to the £4.1m planned).</p>	M	Stable	Sukvinder Kalsi
Creating a compassionate council	Financial Management - in year budget 2022/2023 and Medium-Term Planning: Social Care	20	4	4	2	4	<p>The adult social care and public health budgets will balance this year 22/23 and have delivered their required savings.</p> <p>The required savings and growth have been agreed for 23/24 following the MTFS process.</p> <p>The adult social care budget continues to be very pressurised due to the requirements of the Fair Cost of Care funding reforms; inflation and price increases and the market volatility.</p>	M	Stable	Lisa Redfern
All Council values	Corporate management of Health and Safety	21	3	4	3	4	<p>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. 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; review of H&amp;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 has been completed. A rise in assaults and threats on staff is noted this quarter and a safer workforce task and finish group, instructed by the CEO to review personal safety and lone working, has completed its findings and has presented 8 recommendations for reducing violence and other unacceptable behaviour against staff. The delivery of these recommendations will be KPIs for FY 2022 2023. A strategic risk</p>	M	Stable	Jonathan Pickstone

**Appendix 1 - Corporate Risk Register – March 2023**

Council Priority	Risk	Risk No.	Q3 22/23 Likelihood	Q3 22/23 Impact	Q4 22/23 Likelihood	Q4 22/23 Impact	Current position	Residual Exposure	Status	Lead Director/ Risk Owner	
							<p>assessment for hybrid working (including wellbeing) has been presented and is being formatted to a RAG rating status for ease of reference. An external audit has been presented from Mazars. It gives a score of satisfactory assurance but recommends improvements in risk assessment record keeping, review as well as training in risk assessment methods across many areas of the council to achieve a corporate integrated approach. These recommendations will be priorities for the council in 2022 / 2023 and driven through the health and safety board with support from the corporate health and safety service.</p> <p>A risk assessment training course has been added to the learning zone, and in addition a large part of the IOSH Managing Safely Course concentrates on risk, to date numerous teams across the council have successfully completed the course and attained IOSH accreditation. Those teams taking up the training have included HR, Events, Housing, Fire Teams and Adult Social Care. The risk assessment database has been signed off and will be added to the incident reporting system commencing 1<sup>st</sup> April 2023, this will allow managers to add risk assessments in one easily accessible location.</p>				
Page 27	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	3	4	3	4	<p>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 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> - Stabilisation works are in the last phase and the frames will be in place in April with the bridge moving out of substandard category.  <b>Main Works</b> – Business case being developed to take to DFT board. Procurement have begun to develop documents required for a design and build contract. The truss option is being consulted with key stakeholders and planners.</p>	M	Stable	Bram Kainth
	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	3	4	3	4	<p>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&amp;F Climate Alliance, and H&amp;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.</p>	M	Increased	Bram Kainth
	Taking Pride in Hammersmith & Fulham, Doing things with, not to residents	Repair system and contractor management not delivering performance at the required levels. leading to reputational damage, enforcement action and external intervention, legal disrepair cases and Category 1 Hazards, HHSRS, Damp, Mould, Falls, etc.	27	3	4	4	4	<p>There are robust contract management arrangements in place to manage contractor performance and to monitor their 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.</p> <p>An acceleration plan has been agreed and investment signed off to enable sustainable contract and improved service delivery, which includes reducing WIP, complex repairs, disrepair and voids. PPM programme with DLO. A few small specialist contractors have been onboarded to provide resilience. Weekly reporting to SLT and weekly strategic and operational board. £600 million investment over 12-year capital strategy approved in 2021. Pushing forward procurement to increase capacity and financial envelope of specialist contractors and bring on further specialists in disrepair.</p> <p>We are working to achieve within 6 months a recovered service to a target steady state (October). This work is underpinned by weekly task force group that has a focus at strategic and operational level. We have carried out a diagnostic of root causes and top ten of big fixes this work has been completed. The fixes focused on; major works and planned maintenance, contractor ownership and performance, up-streaming point of failure management and clearing backlogs. Recovery work is being delivered withing the context of a medium term plan for transformation and capital investment.</p>	H	Increased	Jonathan Pickstone

**Appendix 1 - Corporate Risk Register – March 2023**

Council Priority	Risk	Risk No.	Q3 22/23 Likelihood	Q3 22/23 Impact	Q4 22/23 Likelihood	Q4 22/23 Impact	Current position	Residual Exposure	Status	Lead Director/ Risk Owner
							Dedicated damp and mould team in place, expanding DLO to provide flexible, responsive resource. Category 1 hazards de-risked through interim measures such as mould washes, dehumidifiers and decants. Weekly strategic meetings with cross council involvement. Prioritisation of vulnerable groups.  Stock condition survey on hold but proactively reviews key Category 1 Hazards when relaunched, expected March 23.			
Being ruthlessly financially efficient, Rising to the challenge of the climate and ecological emergency	Failure to manage the requirements of the New Environmental Act which will change the way in which the Waste service operates and how it contributes to the Council's carbon zero commitment.	30	3	3	3	3	Work to feed into any further Defra consultation on potential changes. Likely and foreseeable changes have been factored into the new waste service contract, however there is little clarity on how the Act will be implemented at present until detailed regulations and guidance have been published. We believe requirements specifically for food waste collections will be available imminently and we already have plans for introduction of food waste that we anticipate will meet these.	M	Stable	Bram Kainth
Taking pride in Hammersmith and Fulham  Page 37	Failure to manage the negative impact of flooding, due to adverse weather conditions, on residents and businesses. Consequences of the Climate Emergency. One in a hundred events that lead to the overloading our surface water systems (gullies) which results in widespread flooding and consequent damage to homes and businesses. Fluvial flooding as the most at risk London Borough.	31	3	4	3	4	Mitigations: 1. Tree management system allowing water to collect underneath the tree and slow release into the ground has been installed in Bloemfontein Road, Seagrave Road, Overstone and Gallaway Roads. Number of green infrastructure are increasing. 7 more schemes in the programme for this year. 2. x 2 Countess Creek Project with Thames Water have been completed and are working the Thames water Independent Review confirm that they had worked during the flooding event on 12 <sup>th</sup> July 2021. 3. Working with Economy on their regeneration projects to deliver enhance flood risk. 4. Continued to work with Thames water on delivering flood mitigation they have offered assistance on the de-paving programme we will roll out and offered flow data on the first phase of flood risk scheme in Brackenbury. 5. Developing our own programmes of works on the public highway Including doing further work on retrofit measures in a number of borough streets that will have impact on reducing flood risk. 6. Highways are delivery de-paving schemes. 7. Sewer network remains a Thames Water asset that we have no remit over so we will continue to work with them to ensure we reduce the water flow off our highway to a minimum where possible. 8. Flood Risk Board set up and meeting regularly and officers working Cllr Rowbottom (Flood Risk Czar) 9. Bi-monthly meetings with Thames Water set up – Challenge on action plan, programme and seek funding opportunities and joint working. 10. Action plan approved by SLT 11. Thames Water delivering a programme of adding Non Return Values (NRV) to often further protection to properties. 12. Thames water undertaking surveys to add further measures they have written to 1,461 properties in H&F. 331 of them that had previously reported their flooding and 1,500 believed to have flooded 13. Working with other boroughs such as Camden, Westminster and RBKC who are part of the chain of sewers that impact Hammersmith and Fulham on another initiatives such as lobbying for insurance provisions for London properties, joint bids for funding and aligning projects.	M	Stable	Bram Kainth
All Priorities	Failure to maintain services to residents or progress works or development because of provider failure or market failure. (This includes a legal requirements to step in where care agencies fail even if the council does not commission them)	32	4	3	4	3	1. Departments have well developed business plans and these are being refreshed. 2. Risk assessment of markets and high-risk contracts being undertaken by Contract. 3. Assurance Board to inform where alternative provision or arrangements may need to be planned. 4. Forward Plan of major contract re-procurements over the next 18 months has been developed. 5. Risk management plan established for any residents who may be impacted. 6. Regular reports to SLT Assurance.	M	Stable	Sukvinder Kalsi
All Priorities	Supported accommodation providers, SBH & NHG are exiting the market, by 2023	33	3	4	3	4	Mitigations 1. Council steering group set up, chaired by Director Transformation meets every two weeks. 2. Programme management plan in place 3. Risk management plans for all effected residents 4. Joint work with commissioners, operational response teams and providers 5. Regular reports to SLT	M	Stable	Lisa Redfern

**Appendix 1 - Corporate Risk Register – March 2023**

Council Priority	Risk	Risk No.	Q3 22/23 Likelihood	Q3 22/23 Impact	Q4 22/23 Likelihood	Q4 22/23 Impact	Current position	Residual Exposure	Status	Lead Director/ Risk Owner
							NHG sales now confirmed to Housing 21 therefore risk is reduced. Leader's delegation regarding SBH being sought - business cases are being developed regarding acquisition options across ASC, CHS and community safety. It is envisaged that in the next quarter a clearer picture of mitigating actions to be taken further to reduce risk on SBH.			

**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.
- Risk Owner The art of risk management is to apply controls that are effective and efficient in reducing the exposure. This is the person or team best positioned to manage the identified risk

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 13/03/2023

**Subject:** Internal Audit Progress Report (November 2022 to February 2023)

**Report of:** David Hughes

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

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### Summary

This report summarises the status of work included in the 2022/23 Internal Audit Plan as at the end of February 2023. Nine audits have been finalised, seven of which received Satisfactory assurance and two Limited assurance.

The status of audits confirmed for inclusion within the Plan, is shown in Appendix 2.

### Recommendations

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	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

### Internal Audit Work to February 2023

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 2022/23 was reviewed by the Audit Committee in March 2022. 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. Four assurance levels are used and when an audit is completed, an assurance opinion is provided. A description of each of the assurance levels is summarised below:

<b>Assurance Level</b>	<b>Description</b>
<b>Substantial Assurance:</b>	There is a sound system of internal control designed to achieve their objectives and the control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is generally a sound system of internal control, there are weaknesses which put some of the objectives at risk; and/or there is evidence that the level of non-compliance with some of the control processes may put some of the objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal control are such as to put the objectives at risk; and/or the level of non-compliance puts the objectives at risk.
<b>Nil Assurance:</b>	Control processes are generally weak, leaving the processes/systems open to significant error or abuse; and/or Significant non-compliance with basic control processes/systems open to error or abuse.

4. Since the last report to Committee, nine audits have been completed:

<b>Department</b>	<b>Audit</b>	<b>Assurance Opinion</b>
Finance	Debt Management	Satisfactory
Finance	Pension Investments	Satisfactory
Resources	Registrar Service	Satisfactory
Schools	Old Oak Primary	Limited
	The Good Shepherd Primary	Limited
	Holy Cross Primary	Satisfactory
	Jack Tizard	Satisfactory
Economy	Capital Projects Post Completion Records	Satisfactory
Economy/ Finance	HRA Cost Apportionment	Satisfactory

5. A summary of each of the Limited Assurance reports is set out in Appendix 3.
6. In addition, three advisory reviews have been completed in the following areas:
- Hospital Discharge.
  - Raising Payments on Mosaic.
  - Adaptive Technology.

Although no assurance opinion is given for advisory reviews, the implementation of any recommendations made will be followed up during the year and reported to the Committee.

### **Internal Audit Opinion**

7. 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.
8. Appendix 1 shows the finalised audits as at the end of February 2023 and the status of the remaining planned audits is shown in Appendix 2.

### **Follow ups**

9. A total of 36 recommendations have been followed up in the year to date. Implementation of medium and high priority recommendations has been consistently effective with 80% of medium and high priority recommendations fully implemented with a further 20% partly implemented.

### **Consultation**

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

## **Legal Implications**

11. 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.
12. 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.
13. There are no particular legal implications arising from this report.

*Implications verified by Grant Deg, Assistant Director, Legal Services on 01 March 2023.*

## **Financial Implications**

14. The Internal Audit Plan for 2022/23 will be delivered within the approved 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.
15. Any resource implications from the implementation of the recommendations by services will have to be contained within the relevant Directorate approved budgets.

*Implications verified by Sukvinder Kalsi, Director of Finance on 01 March 2023.*

## **Risk Management**

16. 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 on 23 February 2023.*

## **List of Appendices:**

- Appendix 1 – Summary of Audit Reports finalised as at end of February 2023
- Appendix 2 – Audit Plan 2022-23 Status Report
- Appendix 3 – Summary of Limited Assurance Reports

## Internal Audit – Finalised Audits

Plan Area	Auditable Area	Issued	Assurance level given	High Priority Recs	Medium Priority Recs	Low Priority Recs	Reported to Committee
Finance	Debt Management (2021/22)	Jan-23	Satisfactory	0	2	2	Mar-23
Finance	Pension Investments	Feb-23	Satisfactory	0	2	2	Mar-23
Resources	Registrar Service	Jan-23	Satisfactory	0	2	2	Mar-23
Resources	Adaptive Tech	Jan-23	Advisory	0	3	0	Mar-23
Children's / Finance	Raising Payments on Mosaic	Nov-22	Advisory	0	3	0	Mar-23
Schools	Old Oak Primary (2021/22)	Dec-22	Limited	4	4	1	Mar-23
Schools	The Good Shepherd Primary	Dec-22	Limited	1	8	0	Mar-22
Schools	Holy Cross Primary	Jan-23	Satisfactory	0	4	2	Mar-23
Schools	Jack Tizard	Feb-23	Satisfactory	0	2	6	Mar-23
Social Care	Hospital Discharge	Dec-22	Advisory	0	5	0	Mar-23
Economy/ Finance	HRA Cost Apportionment (2021/22)	Dec-22	Satisfactory	1	2	0	Mar-23
Economy	Capital Projects Post Completion Records (2021/22)	Dec-22	Satisfactory	0	4	0	Mar-23
Resources	Equalities Impact Assessment (2021/22)	Oct-22	Advisory	0	6	0	Nov-22
Resources	Mortuary	Oct-22	Satisfactory	0	3	1	Nov-22
Schools	William Morris 6 <sup>th</sup> Form (2021/22)	Oct-22	Limited	2	2	4	Nov-22

## 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>Economy/ Finance</b>	Tenant Service Charges (2021/22)	Sep-22	Limited	2	3	0	Nov-22
<b>Economy</b>	Direct Labour Organisation (2021/22)	Oct-22	Satisfactory	1	3	2	Nov-22
<b>Economy</b>	Housing Repairs - Operations	Oct-22	Satisfactory	0	2	1	Nov-22
<b>Economy</b>	Housing Repairs – Call Centre	Oct-22	<b>Substantial</b>	0	0	2	Nov-22
<b>Digital Services</b>	IT Asset Management & Access Control	Sep-22	Satisfactory	0	0	1	Nov-22
<b>Digital Services</b>	IT Ransomware	Sep-22	Satisfactory	0	3	0	Nov-22
<b>Children's Services</b>	SEN Processes (2021/22)	Jun-22	Advisory	n/a	n/a	n/a	Sep-22
<b>Children's Services</b>	No Recourse to Public Funds (2021/22)	Jun-22	Advisory	3	4	1	Sep-22
<b>Schools</b>	Bayonne Nursery (2021/22)	Jul-22	Satisfactory	0	3	4	Sep-22
<b>Schools</b>	St John's XIII Primary	Jul-22	Advisory	8	8	2	Sep-22
<b>Economy</b>	Lift Maintenance (2021/22)	Aug-22	Satisfactory	0	2	0	Sep-22
<b>Economy</b>	Fire Safety (2021/22)	Aug-22	Satisfactory	0	4	1	Sep-22
<b>Economy</b>	Disrepair Legal Claims (2021/22)	Aug-22	Limited	3	6	0	Sep-22
<b>Environment</b>	Leisure Centres (2021/22)	Jun-22	Satisfactory	1	5	1	Sep-22
<b>Environment</b>	NNDR (2021/22)	Jul-22	<b>Substantial</b>	0	0	1	Sep-22

## Internal Audit – Finalised Audits

Plan Area	Auditable Area	Issued	Assurance level given	High Priority Recs	Medium Priority Recs	Low Priority Recs	Reported to Committee
Environment	Council Tax (2021/22)	Jul-22	Substantial	0	0	1	Sep-22
Environment	Housing Benefit (2021/22)	Jul-22	Substantial	0	0	2	Sep-22
Environment	Funding Claim (VPACH)	May-22	Advisory	0	0	0	Sep-22

## Definitions of Recommendations:

Priority	Description
High (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Medium (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Low (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## Internal Audit Plan 2022/23 – Status of Audits

The Plan is reviewed and updated following discussions with Directors, taking into account changing risks and priorities. The status of audits in the current Plan is shown below:

Plan Area	Draft Report Issued	In Progress/ Due to Start	Deferred
<b>Cross-cutting</b>		<ul style="list-style-type: none"> <li>RFE Testing (ongoing through the year)</li> <li>Contract Monitoring (from 2021/22)</li> <li>Grants</li> </ul>	
<b>Finance</b>	<ul style="list-style-type: none"> <li>Capitalisation of Works (Sep-22)</li> </ul>		<ul style="list-style-type: none"> <li>VAT: IA decision to defer based on priorities</li> <li>Risk Management (advisory) – review in 2023/24</li> </ul>
<b>Resources</b>	Digital Services: <ul style="list-style-type: none"> <li>IT Audit Needs Assessment (Feb-23)</li> </ul>	<ul style="list-style-type: none"> <li>Pensions Administration – review of assurances</li> </ul>	<ul style="list-style-type: none"> <li>Right to Work (Advisory): IA decision as Hants controls sufficient.</li> <li>Digital Services: Infrastructure Resilience &amp; Disaster Recovery (re-prioritise from ANA review)</li> </ul>
<b>Children's Services</b>		<ul style="list-style-type: none"> <li>Supporting People Claims (on-going)</li> <li>New Placements Team</li> </ul>	<ul style="list-style-type: none"> <li>Shared Service Governance – consider for 2023/24</li> <li>Children's &amp; Finance – Business Support consider for 2023/24</li> <li>Safety Valve Funding – not required in year</li> <li>Post 16 Provision – not required in year</li> </ul>
<b>Schools</b>	<ul style="list-style-type: none"> <li>Normand Croft Community (Dec-22)</li> <li>St John's Walham Green (Feb-23)</li> <li>Larmenier Sacred Heart (Sep-22)</li> </ul>	<ul style="list-style-type: none"> <li>St Peter's CE Primary (Q4)</li> <li>Wormholt Park Primary (Q3)</li> <li>Addison Primary (Q4)</li> <li>Melcombe Primary (Q4)</li> </ul>	<ul style="list-style-type: none"> <li>Randolph Beresford Nursery (request to to defer to 2023/24)</li> </ul>
<b>Social Care &amp; Public Health</b>		<ul style="list-style-type: none"> <li>Disabled Facilities Grants</li> </ul>	<ul style="list-style-type: none"> <li>Commissioning &amp; Procurement – Equipment Contract – not required in year</li> <li>Social Care: Data Analytics – no longer required</li> </ul>
<b>Economy</b>		<ul style="list-style-type: none"> <li>Neighbourhood CIL (Q3)</li> </ul>	<ul style="list-style-type: none"> <li>IHMS – to consider in 2023/24</li> <li>Leaseholder Debt – request to defer to 2023/24</li> </ul>

## Internal Audit Plan 2022/23 – Status of Audits

Plan Area	Draft Report Issued	In Progress/ Due to Start	Deferred
Environment	<ul style="list-style-type: none"> <li>• Libraries (Feb-23)</li> </ul>	<ul style="list-style-type: none"> <li>• Resident Experience and Access Programme (Q2-Q3)</li> </ul>	<ul style="list-style-type: none"> <li>• NNDR (Q4)</li> <li>• Council Tax (Q4)</li> <li>• Housing Benefits (Q4)</li> </ul> <p>All deferred due to new systems implementation will be undertaken in 2023/24</p> <ul style="list-style-type: none"> <li>• Hammersmith Bridge – holding entry not required in year</li> </ul>

## Summary of Limited Assurance Reports

### School Audits

Audits of the Council's schools are carried out using an established probity audit programme, usually on a five-year cycle unless issues dictate a more frequent review. The programme is designed to audit the main areas of governance and financial control. The programme's standards are based on legislation, the Scheme for Financing Schools and accepted best practice and the purpose of the audit is to help schools establish and maintain robust financial systems.

Ref	Audit	Details
1	Old Oak Primary School	<p>The audit identified that good practices were in place in respect of most of the governance arrangements and income management.</p> <p>Four high and four medium priority recommendations were made to address the following findings:</p> <ul style="list-style-type: none"> <li>• Purchase orders were raised after invoices had been received with evidence of invoice approval not available (high).</li> <li>• No goods/services received checks were evidenced prior to invoice payment (high).</li> <li>• Expenditure on items not considered to be appropriate use of official funds (high).</li> <li>• The School Fund had not been audited since 2015 and no records or reports are maintained in relation to the fund (high).</li> <li>• The Financial Procedures Policy had not been reviewed since 2018 and did not contain sufficient guidance in respect of staff expenses (medium).</li> <li>• There were several unreconciled payments and receipts which were over six months old (medium).</li> <li>• Payroll reports were not reviewed and signed off by the Head Teacher (medium).</li> <li>• The asset register had not been independently reviewed since 2018 (medium).</li> </ul> <p>In addition, one low priority (best practice) recommendation was made.</p> <p>The recommendations were agreed, and the majority confirmed as already implemented with progress being made on the remainder which are due to be completed by May 2023.</p>
2	The Good Shepherd Primary School	<p>The audit identified that good practices were in place in respect of most of the governance arrangements and income management.</p> <p>One high and eight medium priority recommendations were made to address the following findings:</p> <ul style="list-style-type: none"> <li>• Notification of one staff leaver hadn't been made prior to the leaving date, resulting in an overpayment of salary, which was subsequently recovered (high).</li> <li>• DBS checks for two new members of the Governing Body were not done within 21 days of appointment (medium).</li> <li>• There was no evidence that the three-year budget had been approved within the last 12 months or that the budget monitoring reports had been reviewed and approved by the Head Teacher (medium).</li> <li>• There were several unreconciled payments and receipts which were over six months old (medium).</li> </ul>

## Summary of Limited Assurance Reports

Ref	Audit	Details
		<ul style="list-style-type: none"><li>• Purchase orders were not always raised for goods/services (medium).</li><li>• An exception was identified in the process for checking self-employment status (medium).</li><li>• The asset register did not contain a minimum monetary value of each asset and did not contain details of non-IT assets (medium).</li><li>• There was no evidence that payroll reports were reviewed and approved by the Head Teacher ever month (medium).</li><li>• The audit of the unofficial fund had not been presented to the Governing Body (medium).</li></ul> <p>Actions to address the findings were confirmed with the majority already implemented and progress being made on the remainder which were due to be completed by January 2023.</p>

# Agenda Item 7

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 13/03/2023

**Subject:** Internal Audit Plan 2023/24

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

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

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### Summary

The Strategic Audit Plan has been reviewed to document significant, persistent risks that the Council faces and the business areas to be covered over a five-year period. The Strategic Plan will support the annual planning process and ensure that internal audit continues to provide assurance over the breadth of the Council's operations.

The Annual Audit Plan (the Plan) has been prepared following consultation with Directors and takes into account the Council's corporate risks and priorities.

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 will be reviewed and updated following discussions with Directors, taking into account changing risks and priorities. The revised Plan will be reported to the Committee on a quarterly basis.

### Recommendations

1. The Committee review the draft Strategic Audit Plan, as set out in Appendix 1, and consider whether it covers the persistent risks that the Council faces and outlines the business areas or themes that need to be considered as part of a five-year plan.
2. The Committee review the draft of the Annual Audit Plan, as set out in Appendix 2, and comment on the audit work due to undertaken in the first quarter of 2023/24 and identify any specific audits to be considered during the coming year.

**Wards Affected:** None

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### H&F Values

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

**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 Council's internal audit service is provided by the Shared Services Internal Audit Team which is managed by the RBKC based Shared Services Director for Audit, Fraud, Risk and Insurance. Audits are undertaken by the in-house audit team or through the external contractors to the service, in accordance with the Internal Audit Charter. Internal Audit is required to provide the S151 Officer, the Leadership Team and The Audit Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. 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. A primary role of internal audit is to provide assurance that the Council has robust systems of governance and control in place to achieve its priorities and meet its statutory responsibilities. The Council's internal and external environment continues to evolve and the way in which the Internal Audit Service is delivered must change to keep pace with this. The traditional audit approach of planning a full year of audits in advance has become unsuitable as the original plan fails to keep pace with the organisation's needs.
3. As a result, we have implemented the following changes to the way in which we deliver the Internal Audit Service:
  - A Strategic Audit Plan has been developed which documents the significant, persistent risks that the Council faces and outlines, in broad terms, themes to be covered over a five-year period. This will help to ensure that internal audit does not become a purely reactive function. The Strategic Audit Plan is attached as Appendix 1.
  - We will work with a '3 plus 9' Annual Audit Plan – planning out the next three months in detail, meeting on a quarterly basis with Directors to take into account key risks and priorities, whilst keeping the remaining nine months more flexible. The Plan will then be revisited each quarter to confirm the following quarter's work and will include sufficient audit coverage to enable an overall annual opinion to be reached on the Council's control framework.
  - The option of focused coverage or less formal reporting is available where the traditional approach would not provide assurance as quickly as needed; and

- We will seek to increase attendance on 'working groups' to provide advice and constructive challenge where real time input to projects and initiatives can add value.
4. The draft '3 plus 9' Internal Audit Plan for 2023/24 is attached as Appendix 2 to this report. It should be noted that this Plan is an early draft, based on discussions with Directors and Heads of Service, and is intended to focus on the work planned in the first quarter of 2023/24 and some changes may be required once all of the audit planning meetings have been held.
  5. The Audit Strategy, Annual Plan and audit work is undertaken in line with the expectations of the Public Sector Internal Audit Standards (PSIAS). 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.

### **Consultation**

6. The Internal Audit Plan and the work undertaken by the Internal Audit Service is prepared in consultation with the Council's SLT and officers within the Council and supports the Strategic Director of Finance's responsibility under S151 of the Local Government Act 1972 relating to the proper administration of the Council's affairs.

### **Legal Implications**

7. Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:
  - a. facilitates the effective exercise of its functions and the achievement of its aims and objectives;
  - b. ensures that the financial and operational management of the authority is effective; and,
  - c. includes effective arrangements for the management of risk.
8. Regulation 5 requires the Council to ensure that it undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
9. There are no particular legal implications arising from this report.
10. *Implications verified by Grant Deg, Assistant Director of Legal Services on 01 March 2023.*

### **Financial Implications**

11. 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.
12. The proposals contained in this paper have no additional resource implications for the audit service.
13. *Implications verified by Sukvinder Kalsi, Director of Finance, on 01 March 2023.*

### **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. The audit of services is a crucial component of the Council's approach to Being Ruthlessly Financially Efficient. A Plan contributes considerably to the ongoing mitigation and management of financial and significant standing service risks as required by the Account and Audit Regulations and as outlined in Appendix 1 of the report.
15. *Implications verified by Moira Mackie, Head of Internal Audit, on 24 February 2023.*

**List of Appendices:**

Appendix 1 – Draft Strategic Internal Audit Plan

Appendix 2 – Draft Internal Audit Plan 2023-24

## Strategic Internal Audit Plan (2021-2026)

The Strategic Audit Plan sets out the medium-term direction of the Internal Audit service. This five-year plan outlines the priorities of the service and how Internal Audit can continue to provide an adequate level of assurance whilst taking into account resource limitations and the changing risk landscape.

The Strategic Audit Plan is supported by the Audit Charter, which sets out the roles and responsibilities of Internal Audit, and the Annual Audit Plan, which outlines the internal audit work which will be undertaken each year.

All Local Authorities have faced significant financial reductions in recent years and increasing demand for services. All Council services have seen a reduction in the resource available to them which has, in turn, impacted on the control environment. In addition, local authorities are taking more risks as they explore innovative solutions in order to bridge funding gaps and transform the organisation. It is important that the Internal Audit service continues to evolve to ensure that it remains an effective assurance provider.

This Strategic Audit Plan has been prepared to document significant, persistent risks that the Council faces and outlines, in broad terms, themes to be covered. The intention of the five-year period of this plan is to ensure that, in becoming more agile, internal audit does not become a purely reactive function and continues to provide assurance over the entire breadth of the Council's operations.

Area of Review	Significant Persistent Risks	Five-year Approach
<p><b>Corporate Resources</b> Back office and support functions including Finance, HR, Pension Fund, business continuity, risk management, health and safety and procurement.</p>	<ul style="list-style-type: none"> <li>• Internal and external fraud</li> <li>• Poor Financial management</li> <li>• Risks to staff safety and welfare</li> <li>• Value for money not achieved in commissioning, procurement and contract management.</li> <li>• Failure to provide robust and compliant pensions administration service.</li> <li>• Council/Pension Fund funds not invested effectively.</li> <li>• Staff do not have the skills, resources or support to discharge their roles effectively.</li> <li>• Council unable to cope with business disruption or emergencies.</li> </ul>	<p>At least one full audit of each key financial system and ongoing testing of key controls every year.</p> <p>Cyclical Coverage of Revenues and Benefits over a three-year period.</p> <p>At least one full audit on Pension Fund activity every year.</p> <p>At least one audit of each key HR Function</p> <p>Work on other functions, themes or departments based on conversations with management, assessment of risk and other sources of assurance.</p> <p>Annual coverage of management of individual procurements and contracts based on review of forward plans, perceived risk, significance and discussions with management.</p>

## Strategic Internal Audit Plan (2021-2026)

Area of Review	Significant Persistent Risks	Five-year Approach
<p><b>Governance, Partnerships and Transformation</b> Council governance functions, key strategic partnerships, commercial ventures and transformation programmes and projects.</p>	<ul style="list-style-type: none"> <li>• Governance failures, bringing the Council into disrepute or leading to the aims and objectives of the Council not being achieved.</li> <li>• Programmes and projects are not managed effectively within the required budget and timescales, delivering all expected benefits.</li> <li>• Ill-advised strategic partnerships or ventures entered into or poor governance arrangements lead to objectives not being achieved.</li> <li>• Information requests (such as SARs and FOIs) are not responded to promptly and appropriately.</li> <li>• Statutory functions such as Registrars and Electoral Services are not discharged effectively.</li> <li>• Commercial property portfolio is not managed effectively.</li> </ul>	<p>At least one full audit of SARS, FOIs, Members Enquiries and Complaints.</p> <p>Annual coverage of Health and Safety based on discussions with management and understanding of risk areas.</p> <p>At least one audit of Gifts, Hospitality and Declarations of Interest.</p> <p>At least one audit of the Registrars Service.</p> <p>Annual audits of specific areas of governance based on discussions with management and understanding of risk.</p> <p>Coverage of each significant Partnership, Joint Venture, Council Owned Company or Commercial Venture.</p> <p>Annual Coverage of Risk Management at either a corporate, thematic or departmental level.</p>
<p><b>Information Management &amp; Technology (Digital Services)</b> Management of data, compliance with the Data Protection Act /GDPR. Information technology including cyber security, asset management and disaster recovery.</p>	<ul style="list-style-type: none"> <li>• Loss of information, data breaches or inappropriate disclosure.</li> <li>• Loss of access/information due to systems failure or cyber-attack.</li> <li>• Breach of access controls.</li> <li>• Loss, theft or misuse of IT assets.</li> </ul>	<p>Periodic IT audit needs assessment and frequent discussions with management to understand risk areas.</p>

## Strategic Internal Audit Plan (2021-2026)

Area of Review	Significant Persistent Risks	Five-year Approach
<p><b>Housing</b> Housing Services provided to Council Tenants, Leaseholders and those at risk of homelessness.</p>	<ul style="list-style-type: none"> <li>• Properties are either acquired or disposed of that are not in line with the Council's strategy or value for money is not achieved.</li> <li>• Rent payments and service charges are not recovered promptly and completely.</li> <li>• Council housing is acquired through fraud or is used inappropriately.</li> <li>• Housing stock is not maintained in a satisfactory condition leading to health and safety hazards and increased reactive maintenance.</li> <li>• Risks to the health and safety of residents are not identified and addressed promptly.</li> <li>• Leaseholders and not consulted and correctly charged for any works affecting their property.</li> <li>• Homeless and those at risk of becoming homeless in the borough do not receive the support they require.</li> </ul>	<p>At least one full audit of key Housing functions such as Rents, Homelessness, Housing Allocations, Temporary Accommodation, Tenancy Management, Leaseholder Services.</p> <p>More frequent coverage of both responsive repairs and planned repairs and maintenance.</p> <p>Annual coverage of building Health and Safety compliance.</p>
<p><b>Children Services</b> Provision of services for children and families including looked after children, family support, schools and SEND.</p>	<ul style="list-style-type: none"> <li>• Failure in service continuity, safeguarding arrangements, financial management and governance.</li> <li>• Increased demands for services with reduced funding.</li> </ul>	<p>On-going in-year assurance on funding claims for Supporting People.</p> <p>Cyclical full review of specific areas such as placements, direct payments, looked after children based on discussions with management and understanding of risk.</p> <p>Each school reviewed at least once (with more frequent review where required).</p>
<p><b>Adult Social Care</b> Services provided to adults including day care, home care, direct payments and reablement.</p>	<ul style="list-style-type: none"> <li>• Increased demands for services with reduced funding.</li> <li>• Lack of suitable provision.</li> <li>• Weak supplier financial resilience.</li> </ul>	<p>Cyclical review of specific areas such as direct payments, home care, day centres, client affairs, charges and debt</p>

## Strategic Internal Audit Plan (2021-2026)

Area of Review	Significant Persistent Risks	Five-year Approach
		management, partnership agreements based on discussions with management and understanding of risk.
<p><b>Public Health</b> Services provided to support the public health &amp; wellbeing of the community and reduce health inequalities within the borough including the response to the Covid-19 and other pandemics.</p>	<ul style="list-style-type: none"> <li>• Access to appropriate affordable resources to support improvement to public health priorities.</li> <li>• Changing public health priorities and capacity for delivery (as exemplified by Covid-19 pandemic).</li> </ul>	<p>At least one procurement and one contract monitoring review across 2 to 3-year period.</p> <p>Targeted reviews in specific areas based on discussions with management and understanding of risk.</p>
<p><b>Environment, Infrastructure and Community Services</b> Management of highways infrastructure and services provided for residents, businesses, and visitors. Includes Planning &amp; building control, parking, highways, public realm, environmental health, trading standards, community safety, leisure, culture, and amenity services such as libraries.</p>	<ul style="list-style-type: none"> <li>• Statutory and regulatory functions not discharged effectively.</li> <li>• Weak supplier resilience / lack of provision.</li> <li>• Poor value for money/ ineffective service delivery/ failure to deliver outcomes for the community.</li> <li>• Injury to health /wellbeing to the community, businesses and visitors.</li> </ul>	<p>At least one procurement and one contract monitoring review across 2 to 3-year period.</p> <p>At least one audit of the Libraries Service.</p> <p>Cyclical review across the service areas based on discussions with management and understanding of risk.</p>

### Strategic Internal Audit Plan (2021-2026)

#### High and Medium Corporate Risks (January 2023, these will be regularly reviewed)

The Council's Corporate Risks are linked to the following Council Values:

1	Building shared prosperity
2	Creating a compassionate council
3	Doing things with local residents, not to them
4	Being ruthlessly financially efficient
5	Taking pride in H&F
6	Rising to the challenge of the climate and ecological emergency

Where possible, planned audit work is linked to the Council's high and medium priority risks which are shown below:

Risk No.*	Risk	Residual Exposure	Council Value*
1	Commercial, contract management and procurement risks, rules, outcomes, social value, management of spend and contractor performance management.	Medium	4
3	Failure to maintain services to residents in the event of IT systems being compromised and affecting service resilience.	High	4
4	Information management and digital continuity, regulations, legislation and compliance.	Medium	4
5	Managing statutory duties, equalities, human rights, duty of care regulations, highways.	Medium	2
6	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 eg Ofsted and Care Quality Commission.	High	2
8	Failure to identify and address internal and external fraud.	Medium	4
9	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.	Medium	3 & 5
12	Unable to retain talented people in key posts at LBHF.	Medium	All
14	Failure to deliver the Civic Campus Programme	High	3I
16	High needs budget pressure continues, impacting on provision of services for vulnerable young residents.	High	2
18	Management of complaints, requests for information, members enquiries.	High	All

## Strategic Internal Audit Plan (2021-2026)

Risk No.*	Risk	Residual Exposure	Council Value*
19	Financial management – Medium-Term Planning.	Medium	4
20	Financial management – in year budget 2023/24 and Medium-Term Planning: Social Care.	High	2
21	Corporate management of health and safety.	Medium	All
22	Impact on the local economy and businesses from the closure of Hammersmith Bridge to pedestrians, road and river traffic.	Medium	3 & 5
26	Failure on the part of the Council to mobilise its response to the Climate Change emergency.	Medium	6
27	Repair system and contractor management not delivering performance at the required levels.	High	3 & 5
30	Failure to manage the requirements of the New Environmental Act which will change the way in which the waste service operates and how it contributes to the Council's carbon zero commitment.	Medium	4 & 6
31	Failure to manage the negative impact of flooding, due to adverse weather conditions, on residents and businesses. Consequences of the Climate Emergency. One in a hundred events that lead to the overloading of our surface water systems (gullies) which results in widespread flooding and consequent damage to homes and businesses. Fluvial flooding as the most at risk London Borough.	Medium	5
32	Failure to maintain services to residents or progress works or development because of provider failure or market failure. (This includes a legal requirement to step in where care agencies fail even if the Council does not commission them).	Medium	All
33	Supported accommodation providers, SBH and NHG, exiting the market by 2023.	Medium	All

\*Risk number and associated Council Value as shown on the Corporate Risk Register, January 2023

**Draft Internal Audit Plan 2023/24**

The Annual Internal Audit Plan (the Plan) for 2023/24 is presented in two parts: the first three months of the year where we have identified a number of audits to be undertaken; and the remaining nine months where planning is more flexible.

Where possible the Plan is aligned to the Council’s corporate risks and values, however, it should be noted that the Council’s risks and priorities may change during the year and the Plan will be updated as appropriate.

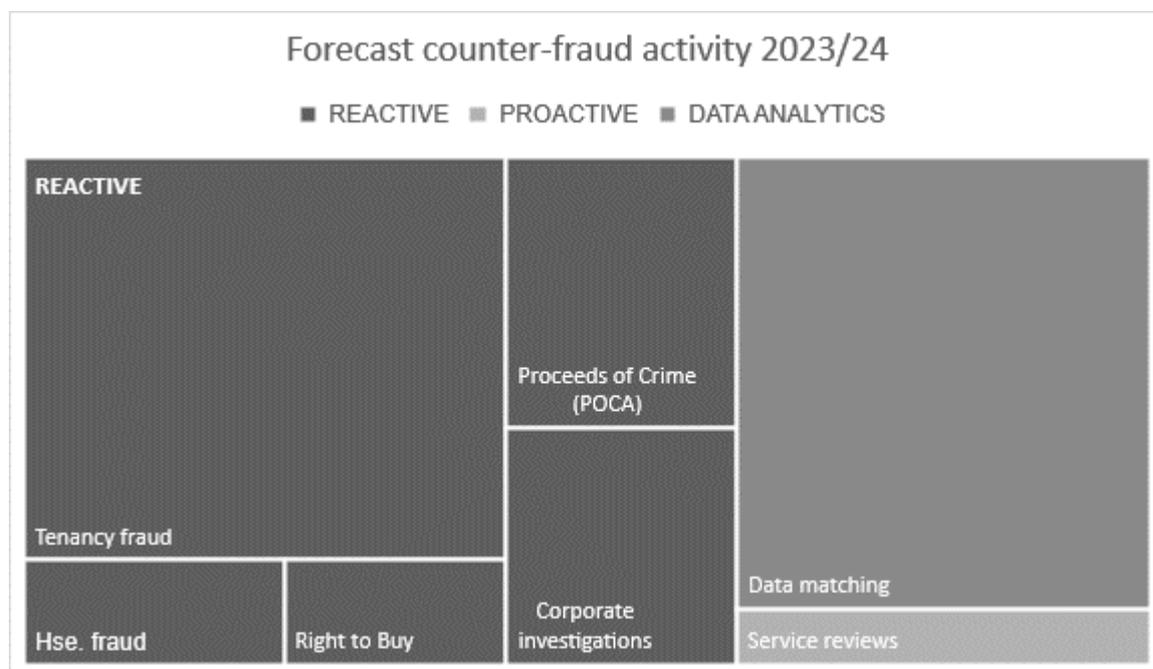
The Plan will be presented to the Strategic Leadership Team and the Audit Committee at the start of the financial year and will then be presented every quarter. The delivery of the Plan helps to create a culture of accountability; ensures that risk management processes are embedded, and contributes to the Council’s governance framework.

In addition, areas of fraud risk are evaluated by the Corporate Anti-Fraud Service (CAFS) and this information will be used to inform and focus some of the audit work planned, as well as identifying areas where pro-active exercises and data analytics can provide additional assurance that fraud risks are effectively managed.

**Corporate Anti-Fraud Service (CAFS) 2023/24**

The work undertaken by CAFS complements the work of Internal Audit and provides additional assurance to the Council that fraud risks are being managed effectively. Reactive and proactive work is planned, with an anticipated increase in data analytics due to the biennial National Fraud Initiative data matching exercise and the London Counter FraudHub, which the Council joined at the end of 2022.

The table below reflects the forecast activity for 2023/24.



**Draft Internal Audit Plan – Quarter 1 2023/24**

<b>Department</b>	<b>Review</b>	<b>Potential Coverage</b>	<b>Risk*</b>
Cross-Cutting	Right to Work (Advisory)	Manager compliance with centre led requirements	n/a
Cross-Cutting	Key Financial /HR Controls (Q1 to Q4)	Annual testing programme.	n/a
Corporate Services – Digital	IT Review: (also in Q2-Q4)	Local Business Continuity Planning	2 & 3
Children’s Services	Cyclical Review	Direct Payments	6
Children’s Services	Cyclical Review	SEND (end Q1)	6 & 16
Children’s Services	Adoption Service	Shared service review	6
Children’s Services	Supporting People Claims	Ongoing. Review and approval of claims for Supporting People funding	6
Children’s Services - Schools	Schools: Cyclical	Financial control and governance reviews	n/a
Social Care	Public Health	TBC – initial review prior to focused review between Q2 and Q4	TBC
Economy	Leaseholder Charges	Project Management review	3
Economy	Facilities Management	Asset management including H&S Statutory Compliance	3 & 21
Economy	Housing Allocations	Cyclical review	n/a
Environment	Community Safety	Cyclical review: Anti-Social Behaviour	n/a
Environment	Climate Change – Strategy and Action Plan (advisory)	KPI Framework and links to the Strategy	26
Economy & Environment	Procuring Energy	Strategy, comparison with other similar organisations	26

\*High and medium risks, as identified in the Council’s Corporate Risk Register (January 2023).

**Draft Internal Audit Plan – Quarters 2 to 4 2023/24**

<b>Department</b>	<b>Review</b>	<b>Potential Coverage</b>	<b>Risk*</b>
Cross-Cutting	Governance & Compliance	Compliance with standards, may include: declarations of interest; gifts and hospitality; transparency data, etc.	Various
Cross-Cutting	Key Financial /HR Controls (Q1 to Q4)	Annual testing programme.	n/a
Cross-cutting	Risk Management (Q3)	Cyclical review due	various
Finance	Partnerships/ Companies	TBC	TBC
Finance	Pensions Administration	Identify assurances available and management of service delivery by new provider.	n/a
Corporate Services – People & Talent	On-line appraisal platform (Q2)	Effectiveness of new process for recording appraisal information	12
Corporate Services – Digital	IT Reviews	IT Disaster Recovery (Q3)	2, 3
Corporate Services – Digital	IT Reviews	New Systems Acquisitions/ Procurement (Q2)	2, 3
Children's Services	Shared Services Governance (Q2)	Arrangements in place for services shared with other authorities.	6
Children's Services	Business Support (advisory review)	Scope to be further discussed.	6
Children's Services	Safeguarding	TBC	6
Children's Services	Fostering Service	TBC - Review progress on implementing case management. Consider compliance coverage in future year.	6
Children's Services	Early Years (late Q4)	TBC	6
Children's Services	Supporting People Claims	Ongoing. Review and approval of claims for Supporting People funding.	6
Children's Services – Schools	Schools: Cyclical	Financial control and governance reviews.	n/a
Social Care	Commissioning & Procurement	Scope to be confirmed.	1 & 6
Social Care	Mental Health Services (Q3)	Performance audit	1 & 6
Social Care	Performance, Management, and Governance (Q4)	Scope to be confirmed	6
Social Care	Public Health	TBC following initial review in Q1	6
Economy	Leaseholder Charges Debt (late Q2)	Management of debt.	various

Department	Review	Potential Coverage	Risk*
Economy	Housing Voids	Cyclical review	n/a
Economy	Building Safety Act	Housing: Compliance with the Act – scope to be confirmed	9
Economy	Planning & Building Control	TBC	TBC
Economy	Fire Safety Checks	New requirements Jan 2023	9
Environment	NNDR	Annual testing from 3-year rolling scope	n/a
Environment	Council Tax	Annual testing from 3-year rolling scope	n/a
Environment	Housing Benefits	Annual testing from 3-year rolling scope	n/a
Environment	Revenues and Benefits Application	From Audit Needs Assessment – Digital Services (likely Q1 2024/25)	3
Environment	Community Safety: Trading Standards	Cyclical review	n/a
Environment	Community Safety: Licensing	Cyclical review	n/a

\*High and medium risks, as identified in the Council's Corporate Risk Register (January 2023).

# Agenda Item 8

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 13/03/2023

**Subject:** Internal Audit Charter and Strategy

**Report of:** David Hughes

**Responsible Director:** 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.

### Recommendations

1. For the Committee to review and approve the Internal Audit Charter and Strategy.
2. To note the commencement of a review of the effectiveness of the Committee in line with the recent guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) on Audit Committees and that a report will be provided on the outcome of the review at a future meeting.

**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: 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 Annex 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 2021/22 (reported in June 2022) included the following statement:

*“The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). During 2021/22, 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 was due to be undertaken earlier this year but had to be postponed due to the availability of the assessor and it is now planned to be undertaken in the final quarter of this financial year. The outcome of this assessment will be reported to the Committee in due course.
9. The Charter and Strategy have been reviewed with no amendments made other than some minor typos and the date.
10. Attention is drawn to paragraph 7.4 of the Charter which explains the role of the Shared Services Director for Internal Audit, Fraud, Risk & Insurance to contribute to the effectiveness of the Audit Committee. As the Chartered Institute of Public Finance and Accountancy (CIPFA) has recently updated their guidance for Audit Committees for local authorities, it is proposed that a review of effectiveness is undertaken by the Shared Services Director for Internal Audit, Fraud, Risk and Insurance which will include discussions with the Chair of the Committee, the Committee Members as well as some officers including the S151 and Monitoring Officers. The outcome of this review will be reported to the Audit Committee and can then be reported to Full Council as part of the Chair’s Annual Report.

### **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, Assistant Director, Legal Services on 31/10/2022.*

### **Financial Implications**

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

*Implications verified by Sukvinder Kalsi, Director of Finance, on 31/10/2022.*

### **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, on 28 October 2022.*

### **List of Appendices**

Appendix 1 – Internal Audit Charter and Strategy

# APPENDIX 1

London Borough of Hammersmith  
and Fulham

Internal Audit Charter 2022



## 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 (Annex A 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 approve.

## 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 (SLT):
- 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 for 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 the 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 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 Undertaking 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.
- 9.8 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.
- 9.9 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.
- 9.10 The Shared Services Director for Internal Audit, Fraud, Risk and Insurance is responsible for escalating any concerns about maintaining independence through the Chief Executive, the Audit 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 2022	Moira Mackie Head of Internal Audit	Reviewed, only changes minor typos and changed date of document.	David Hughes Shared Service Director for Audit, Fraud, Risk & Insurance
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.