


London Borough of Hammersmith & Fulham AUDIT, PENSIONS AND STANDARDS COMMITTEE 12 March 2019		
INTERNAL AUDIT UPDATE REPORT FOR THE PERIOD 1 Nov 2018 – 1 Feb 2019 Report of the Strategic Director of Finance and Governance		
Open Report		
Classification: For Information Key Decision: No		
Wards Affected: None		
Accountable Director: Hitesh Jolapara, Strategic Director of Finance and Governance		
Report Author: David Hughes, Director of Audit, Fraud, Risk and Insurance	Contact Details: Tel: 0207 361 2389 E-mail: David.HughesAudit@lbhf.gov.uk	

1. EXECUTIVE SUMMARY

- 1.1. This report summarises internal audit activity in respect of audit reports issued and follow up for undertaken during the period 1 November to 1 February 2019. This change in reporting, and the improved assurances provided in this report on audit work undertaken, reflect the positive impact of the increased focus on assurance and risk management, led by the Chief Executive.

2. RECOMMENDATION

- 2.1. To note the contents of this report.

3. REASONS FOR DECISION

- 3.1. Not applicable. No decision required.

4. PROPOSAL AND ISSUES

- 4.1. This report summarises internal audit activity in respect of audit reports issued and follow up work undertaken on agreed actions during the period 1 November 2018 to 1 February 2019.

Internal Audit Coverage

- 4.2. The primary objective of each audit is to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found internal audit will propose solutions to management to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if management agree audit recommendations and implement changes in a timely manner.
- 4.3. A total of 7 audit reports were finalised in the period from 1 November 2018 to 1 February 2019, including 1 Substantial Assurance, 2 Satisfactory Assurance reports, 2 Limited Assurance reports and 2 for which no assurance opinion was provided.
- 4.4. The 2 Limited Assurance reports issued in the period were:
 - Members Enquiries and MP Enquiries, Freedom of Information, Subject Access Requests and Complaints; and,
 - LBHF Joint Ventures Ltd.
- 4.5. For the Members & MP Enquiries, Freedom of Information, Subject Access Requests and Complaints audit, 2 high priority, 6 medium priority and 1 low priority recommendations were raised. All recommendations are due to be implemented by May 2019, with two medium priority recommendations already implemented.
- 4.6. For LBHF Joint Ventures Ltd audit, 2 high priority, 8 medium priority and 2 low priority recommendations were raised. All recommendations are due to be implemented by the end of June 2019, with one low priority recommendation already implemented.
- 4.7. A summary of the Limited Assurance reports is set out in Appendix 2. The full reports, including all the agreed actions are also published on the agenda for the Committee's consideration and to ask questions of relevant directors at the meeting.
- 4.8. Departments are given 10 working days for management agreement to be given to each report and for the responsible Director to sign it off so that it can then be finalised. There are no overdue draft reports awaiting management responses at the time of writing.

Follow up of Recommendations

- 4.9. From December 2018, Internal Audit are reporting in more detail to Committee on the outcome of our follow up of recommendations raised and actions agreed with management. This follows on from improvements in performance over the past 18 months, where the Committee received reports on instances where management had not updated progress against agreed actions or reported completion of actions by their due date.
- 4.10. In period from 1 November 2018 to 1 February 2019, 21 recommendations which were due to have been implemented have been followed up by Internal Audit (4 High and 17 Medium priority), of which all have been confirmed as fully implemented.
- 4.11. A full follow up of the Limited Assurance Supplier Resilience and Legal Services Budget Management audits were undertaken. Of the 4 High and 6 Medium priority recommendations raised, all were confirmed as implemented. The results of these follow ups can be seen in Appendix 1.

5. OPTIONS AND ANALYSIS OF OPTIONS

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

6. CONSULTATION

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

7. EQUALITY IMPLICATIONS

- 7.1. There are no equality implications arising from this report.
- 7.2. Implications verified by Peter Smith, Head of Policy and Strategy, tel. 020 8753 2206.

8. LEGAL IMPLICATIONS

- 8.1. 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.
- 8.2. 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.
- 8.3. Implications verified by Rhian Davies, Assistant Director of Legal and Democratic Services, tel. 07827 663794.

9. FINANCIAL IMPLICATIONS

- 9.1 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.
- 9.2 The proposals contained in this paper have no additional resource implications for the audit service.
- 9.3 Implications completed by Andre Mark, Finance Business Partner, 020 8753 6729 and verified by Emily Hill, Assistant Director, Corporate Finance, 0208 753 3145.

10. IMPLICATIONS FOR BUSINESS

- 10.1 There are no implications for business arising from this report.
- 10.2 Implications verified by Alben Karameros, Programme Manager, Economic Development, 07739 316 957.

11. COMMERCIAL IMPLICATIONS

- 11.1 There are no commercial implications arising from this report.
- 11.2 Implications verified by Andra Ulianov, Head of Contracts and Procurement, 0777 667 2876.

12. IT IMPLICATIONS

- 12.1 There are no ICT implications arising from this report.
- 12.2 Implications verified by: Veronica Barella, Chief Information Officer, Tel 020 8753 2927.

13. RISK MANAGEMENT

- 13.1 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.
- 13.2 *Implications verified by Michael Sloniowski, Risk Manager, telephone 020 8753 2587*

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

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Full audit reports covered in this report	David Hughes 0207 361 2389	Corporate Services, Internal Audit Town Hall, King Street Hammersmith W6 9JU

LIST OF APPENDICES:

1. Audit reports issued 1 November 2018 to 1 February 2019
2. Summary of Limited Assurance Reports

Audit reports Issued 1 November 2018 to 1 February 2019

APPENDIX 1

We have finalised a total of 5 audit reports for the period of 1 November 2019 to 1 February 2019 to be reported to this Committee. We categorise our opinions according to our assessment of the controls in place and the level of compliance with these controls.

No.	Audit Plan	Audit Title	Director / Sponsor	Audit Assurance
1	2017/18	Safeguarding Adults	Lisa Redfern	Management Letter
2	2017/18	Public Health Investment Fund	Lisa Redfern	Management Letter
3	2018/19	LBHF Joint Ventures Ltd	Lisa Redfern	Limited
4	2018/19	HFBP Dissolution	Veronica Barella	Satisfactory
5	2018/19	Members & MP Enquiries, Freedom of Information, Subject Access Requests and Complaints	Sharon Lea	Limited
6	2018/19	Community Safety	Sharon Lea	Substantial
7	2018/19	Parking Income	Sharon Lea	Satisfactory

** These audits were started prior to the disaggregation of the shared Adult Social Care service but concluded after disaggregation. As such an assurance opinion has not been provided.*

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

Other Reports

Management Letters

No.	Audit Year	Audit Title	Director / Sponsor
8	2018/19	Programme Assurance Summary Report	Mark Grimley

Full audit follow up

No.	Audit Year	Audit Title	Total Recs	Recs Implemented	Partly Implemented	Not Implemented
9	2017/18	Supplier Resilience	8	8	0	0
10	2018/18	Legal Services Budget Management	6	6	0	0

Summary of Limited and Nil Assurance Reports

APPENDIX 2

Ref	Audit and Scope	Details	Assurance/Risk
1	<p>Members & MP Enquiries, Freedom of Information, Subject Access Requests and Complaints</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Policies, Procedures & Legislation • Receipt, Recording and Allocation of Enquiries, Requests and Complaints • Review and Issue of Responses • Exemptions under the Freedom of information Act • Publication Scheme • Appeals • Performance Monitoring and Reporting 	<p>Elected Members are often approached by residents to advocate on their behalf. When this happens, the elected Member may contact a Council department and ask for information about policies and individual cases. This is known as a Councillor or Member of Parliament enquiry.</p> <p>The Freedom of Information (FOI) Act 2000 came into effect on 1st January 2005. It applies to all information held by public authorities, regardless of when the information was recorded. LBHF has two main responsibilities under the act to have a publication scheme in place, and to respond to individual requests for information</p> <p>Personal information held by the Council can be requested by making a 'subject access request' (SAR) under the Data Protection Act (DPA).</p> <p>The Council will aim to resolve the complaint at the first opportunity, but whenever this is not possible there is a two-stage complaints process, as set out in the Corporate Complaints policy.</p> <p>Two high, six medium and one low priority recommendations were raised. The high and medium priority recommendations were as follows:</p> <ol style="list-style-type: none"> 1) Policies and procedures should be regularly reviewed and updated to ensure that they remain relevant. 2) Responses to enquiries, requests and complaints should be sent within the prescribed timescales. Where there are likely to be delays in responding, the requestor/ complainant should be notified and updated on the progress of their request/complaint. All Directors and officers should be reminded of the need to ensure that responses are sent within the prescribed timescales. The process should: <ol style="list-style-type: none"> a. Identify at an earlier stage where prescribed timescales will not be met and either prioritise the case or send an update. b. Implement a mechanism to identify outstanding cases where updates have not been issued. c. Report performance in these areas to DMTs and SLT, including reporting open cases approaching their deadline for completion. 3) The Complaints Manager should remind all relevant officers of the need to ensure that all documentation, including responses letters, are retained and uploaded onto iCasework. A periodic spot check of cases should be undertaken to gain assurance that responses are being retained. 4) Procedures should be put in place for Stage 2 responses to complaints to be reviewed and signed off by a senior officer prior to them being sent out. Consideration should be given to whether all responses should be reviewed and signed off either an officer in the corporate complaints team or by a senior officer in the responding directorate to assure their quality and accuracy. 5) The Information Management Team should ensure that appeals are responded to within the prescribed timescales. Open appeals approaching their deadline for response should be reported to DMTs and SLT. 6) The Head of Contacts and the Complaints Manager should ensure that responses to the Ombudsman are sent promptly and that the responses are uploaded onto iCasework. Consideration should be given to drafting a brief timetable, where practical, to allow the process of preparing the response to be tracked. 7) The Complaints Manager should remind officers of the need to ensure that the actual dates are recorded on iCasework. Periodic checks should be undertaken on a sample basis to ensure that dates have been correctly recorded. 8) Where performance is below target, the Head of Contacts and Complaints Manager should provide explanations for the targets not being met, together with action to be taken to address underperformance. <p>All recommendations were agreed to be implemented by the end of July 2019.</p>	<p>Limited</p>

Ref	Audit and Scope	Details	Assurance/Risk
2	<p>LBHF Joint Ventures Ltd</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Formation • Governance Arrangements • Staffing and Resourcing • Assessment of Commercial Activities • Income and Expenditure • Performance Monitoring and Management Information • Risk Management • Financial Management 	<p>In common with other councils in the UK, Hammersmith and Fulham charge for a range of services across most departments. Current legislation allows the Council to make charges either in line with statutory fees or on a cost recovery basis. In order to trade commercially, other than with another public body, the Council must do so through a Trading Company. Establishing a local authority Trading Company assists the Council in delivering its corporate aims and priorities through the generation of profitable income.</p> <p>Cabinet approved the procurement strategy for debt management on 17th January 2017. After running a full OJEU competition and the evaluation of bids by a tender approval panel, 1st Credit Limited (now known as Intrum) were awarded the contract. The joint venture Company went live in July 2017 and the framework contract allows any public body, including H&F, to call off contracts to provide any service in scope of the original procurement. The Joint Venture has already started taking over collections in the borough, for Housing Benefit Over-Payment (started January 18), Council Tax (April 2018), Parking (September 2017) and Former Tenant Arrears (July 2017) The Council has a 51% shareholding in the Joint Venture with Intrum holding the remaining 49%</p> <p>Two high, eight medium and two low priority recommendations were raised. The high and medium priority recommendations were as follows:</p> <ol style="list-style-type: none"> 1) A formal business plan should be drafted for the Board's approval. 2) When the Joint Venture's business plan is produced, this should include full details of how the Company proposes to identify and evaluate commercial opportunities, and how these will be pursued in order to maximise potential income streams. 3) Annual budgets should be produced for the Joint Venture, clearly detailing expected income and expenditure along with any additional financial performance targets. This should be reviewed and approved by the Board. 4) Board meetings should be reinstated. Decisions should then be submitted to the board or shareholders for approval as required. 5) The capacity and capability of board members and other officers involved in management of the joint venture should be assessed. This should be compared to an assessment of the capacity and skills required to manage the company effectively. 6) Signed declarations of interest should be requested from all Board members and senior Joint Venture employees at the time of their joining the Company, becoming aware of any new conflict, and upon periodic renewal. A register of any declared interests should be maintained highlighting any actions necessary to manage a conflict or perceived conflict of interest. 7) Declarations of interest should be added to the agenda of all board meetings, prior to any discussion or decision-making, and recorded in the minutes. Should any declaration of interest be made, the actions taken at the meeting to mitigate it should also be recorded. 8) The Council and Intrum should agree a means of recording and agreeing the expenditure committed related to the Joint Venture that they intend to recharge to the company (at such time as this becomes feasible). 9) The Joint Venture Company should agree policies and procedures for the procurement of goods & services, making payments to suppliers, invoicing customers and managing debts. Until expenditure is processed through the Joint Venture, consideration should be given to how the Council monitors and controls expenditure incurred by Intrum and vice versa. The Council and Intrum should agree a means by which the recovery costs can be calculated in order to facilitate regular billing by the Joint Venture, identifying total amounts recovered, recovery costs, and percentages owed to the Joint Venture as commission. 10) A risk register should be produced for the Joint Venture, and risk management strategies adopted. This should be periodically reviewed and updated. <p>All recommendations were agreed to be implemented by the end of May 2019.</p>	<p>Limited</p>