

<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">AUDIT, PENSIONS AND STANDARDS COMMITTEE</p> <p style="text-align: center;">12 March 2019</p>	
<p>INTERNAL AUDIT PLAN 2019/20</p>	
<p>Report of the Strategic Director of Finance and Governance</p>	
<p>Open Report</p>	
<p>Classification: For Information</p> <p>Key Decision: No</p>	
<p>Wards Affected: None</p>	
<p>Accountable Director: Hitesh Jolapara, Strategic Director of Finance and Governance</p>	
<p>Report Author: David Hughes, Director of Audit, Fraud, Risk and Insurance</p>	<p>Contact Details: Tel: 0207 361 2389 E-mail: David.HughesAudit@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. The Internal Audit Plan has been reviewed to ensure that our audit work addresses key risks during a period of change and general financial constraints. The Audit Plan will include sufficient audit coverage to enable us to provide an overall opinion on the Council's control framework and is sufficiently flexible to allow for additional reviews to be added in areas where support and/or advice may be required. The draft Audit Plan for 2019/20 is contained in Appendix 1 to this report.

2. RECOMMENDATION

- 2.1 That the Committee review the proposed internal audit plan for 2019/20 as set out in Appendix 1 and consider:
- Does the plan cover the organisation's key risks as they are recognised by the members of the Committee?
 - Does the plan reflect the areas that the Committee believe should be covered as priority?

- Are the Committee satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks not included in our annual plan?

3. REASONS FOR DECISION

3.1. Not applicable. No decision required.

4. PROPOSAL AND ISSUES

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

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

- 4.4. The draft Internal Audit Plan for 2019/20 is attached as Appendix 1 to this report and identifies the key areas within the Council where we expect to utilise our resources during 2019/20. The content of the draft Plan is informed by the Council's key priorities, significant emerging and current risks as identified in the Council's Risk Registers (as set out in the appendix) as well as changes made to

Council systems, structures and service delivery. Areas of high risk have been identified and included in the Plan as well as cyclical and thematic reviews in areas of lower financial risk (e.g. schools).

- 4.5. Further discussions with management will take place to scope out individual audits identified for completion during the year. The Plan is flexible to allow for change where areas of higher priority are identified whilst ensuring that sufficient internal audit coverage is provided to enable the Director for Internal Audit, Fraud, Risk and Insurance to provide the Council with an opinion at the end of the year on the adequacy of the Council's internal control, risk management and governance arrangements.
- 4.6. In addition, areas of fraud risk have been identified and evaluated by the Corporate Anti-Fraud Service and this information will be used to inform and focus the scope of some of the planned audits as well as identifying areas where pro-active exercises and data analytics can provide additional assurance that fraud risks are effectively managed.

5. OPTIONS AND ANALYSIS OF OPTIONS

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

6. CONSULTATION

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

7. EQUALITY IMPLICATIONS

- 7.1. The Committee is asked to review the Audit Plan and is not asked to make any decision. As such there is no negative impact on any groups with protected characteristics, under the terms of the Equality Act 2010, 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 Albena 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, Procurement Consultant, 0777 667 2876.

12. IT IMPLICATIONS

- 12.1. There are no direct ICT implications arising from this report.
- 12.2. Implications verified/completed 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.	Internal Audit Strategy and Charter	David Hughes 0207 361 2389	Corporate Services, Internal Audit Town Hall, King Street Hammersmith W6 9JU

LIST OF APPENDICES:

1. Draft Internal Audit Plan 2019/20

London Borough of Hammersmith & Fulham

Draft Internal Audit Plan

2019/20

Audit, Pensions and Standards Committee

March 2019



Draft Internal Audit Plan 2019/20

The draft Internal Audit Plan for each of the Council's Service Areas is shown below. Where possible, the auditable area is aligned with risk(s) identified from reviewing the Council's Priorities and Risk Registers (see final page of this report).

Social Care:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Service Change	Following the disaggregation of services, review the system and controls in place in areas such as: Client Affairs; Direct Payments; Financial Assessments; Mental Health.	2	High	1, 2, 5
Information Management & Continuity of Systems	Review of compliance with statutory requirements on the use of control over sensitive data (Adults, Children's & Public Health).	3	High	1, 2, 5
Cyclical Compliance and/or establishment reviews	A programme of compliance reviews across all services covering areas, including: <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • GDPR (see also Information Management review); • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. <p>Areas to cover will be discussed and agreed with the Service.</p>	2 to 4	High	2, 4, 5

Children's Services:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Service Change	Review systems and controls following review of service provision. Areas to be considered for review include: Early Help; Early Years; Youth Service.	2 to 3	High	1, 2, 5
Information Management & Continuity of Systems	See Social Care Plan	See Social Care Plan	High	1, 2, 5
Family Services, Safeguarding, Social Work	Potential areas to include: <ul style="list-style-type: none"> • Ongoing review of Supporting People claims; • Safeguarding (work of the Safeguarding Board and sovereign based Committees). 	1 to 4	High	1, 5
Cyclical Compliance and/or establishment reviews	To consider a programme of compliance reviews covering areas such as: <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • GDPR (see also Information management review), • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. <p>Areas to be covered to be discussed with the Service.</p>	2 to 4	High	2, 4, 5

Schools:

Auditable Area	Potential Scope	Quarter	Priority	Risk
Targeted Reviews: (To be agreed with Schools Finance)	All schools previously receiving limited assurance or identified with issues from Ofsted reviews or projected budget deficit. Schools to be included not yet confirmed.	1-4	Medium	1, 2
Thematic Reviews:	Thematic reviews across the school population to review compliance. Potential areas to include: Health & Safety Compliance; Recruitment; IR35 Compliance; GDPR & IT Security.	1-4	High	1, 2, 5

Draft Internal Audit Plan 2019/20

Growth & Place:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Housing Management	Areas to consider include: property Health and Safety checks; income (rents, service charges, lessee charges); estate services; major works projects; repairs service.	2 to 4	High	1, 2, 3, 4, 5
Housing Solutions	Areas to consider: <ul style="list-style-type: none"> Procurement of temporary accommodation, including health & safety assurance; Housing allocations. 	1	High	1, 2
Capital Programme	Review of the management of the Council's capital programme. Will require input from departments and Finance.	3	High	2, 3, 4, 5
Programme/Project Assurance	Review of programme/project assurance arrangements for a sample of key programmes projects being monitored by SLT.	3	High	4, 5
Commissioning: Procurement and market management	Review a sample of current procurements for compliance with processes including, governance, strategy, integrity, ethical governance. Beneficial reviews at key stages of the procurement process rather than after the procurement has been completed.	1 to 3	High	2, 5
Commissioning: Contract Management	Review a sample of contracts for compliance with processes to manage/monitor service delivery including: contract formalities; variations; service improvements; performance management; budget monitoring; value for money.	1 to 3	High	1, 2, 3, 4, 5
Cyclical Compliance and/ or establishment reviews	<p>Compliance: To consider a programme of compliance reviews across all services covering areas such as:</p> <ul style="list-style-type: none"> budgetary control and implementation of new finance, hr and payroll systems; Follow on from 2017/18 review on GDPR; Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. <p>Areas to be covered to be discussed with the service.</p>			2, 4, 5

Finance & Governance:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Financial Management System	Assurances on the adequacy of security and controls within the new HR, Payroll and Finance systems will be discussed with the provider and will form part of the audit work undertaken in these areas.	2	High	1, 2, 4
Budgetary Control, Accounts Payable, Accounts Receivable & Income Management	Review of effectiveness of controls within the Services and the Council's Finance Teams following implementation of the new financial management system.	2 to 4	High	1, 2, 4
Information Management & Continuity of Systems	Areas that may be reviewed: <ul style="list-style-type: none"> IT Governance - Risk management, investment appraisal, culture and training; Cyber Security; IT Resilience and service continuity; Access Management; Asset Management (hardware and software) and ownership or applications. 	2 to 4	High	2, 4, 5

Draft Internal Audit Plan 2019/20

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Property Services	To review the processes in place following the transfer of responsibility for TFM from Amey to the Council, including a review of contracts, property records, health and safety responsibilities.	1 to 2	High	2, 4
Governance (Legal and Governance)	Review the processes for ensuring that the Council's governance arrangements are robust and are reviewed and reported on at the appropriate level and frequency.	3	High	5
Risk Management	Review of the processes in place for the effective identification and reporting of risks and how these risks are being managed – sample review of departmental risk management processes.	3	High	5

Public Services Reform:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Transformation	Effective management of a significant transformation programme or project – to be discussed with the service (Advisory).	2	High	2, 5
Commercial Management	To be discussed with the service, following implementation of the Commercial Management Initiative.	3	High	1, 2, 4, 5
Business Intelligence	Data analytics: review of data governance and data quality.	2 to 4	High	2, 4, 5
Commissioning: Procurement and market management	Review a sample of current procurements for compliance with processes including, governance, strategy, integrity, ethical governance. Beneficial reviews at key stages of the procurement process rather than after the procurement has been completed.	1 to 3	High	2, 5
Commissioning: Contract Management	Review a sample of contracts for compliance with processes to manage/monitor service delivery including: contract formalities; variations; service improvements; performance management; budget monitoring; value for money.	1 to 3	High	1, 2, 3, 4, 5

Corporate Services

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
HR: Pensions Admin	Consideration of new managed service provider and integration with the service provided by Surrey CC (including production of pension returns)	1 to 2	High	2, 4, 5
HR: Payroll	Scope of audit to be determined following discussion with new service provider (focus will be on Council compliance with system controls and may involve some form of continuous auditing).	1 to 3	High	2, 4, 5
HR Learning & Development	Review of new system, controls and compliance.	1 to 2	High	2, 4, 5
Programmes & Projects	To review the effective management of a key programme or project – to be discussed with the service.	2 to 3	High	2, 5

Draft Internal Audit Plan 2019/20

Residents' Services:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Revenues & Benefits	Cyclical programme of audits to be agreed with the Director of Residents' Services. To supplement not duplicate work undertaken by external audit covering: Council Tax; Housing Benefit; Business Rates.	3 to 4	Medium	2, 4
Library Service	To be discussed with the service. Change in operations and management following disaggregation of the shared service. (See also cyclical compliance reviews, below).	3	Medium	2, 5
Commissioning: Procurement and market management	Review a sample of current procurements for compliance with processes including, governance, strategy, integrity, ethical governance. Beneficial reviews at key stages of the procurement process rather than after the procurement has been completed.	1 to 3	High	2, 5
Commissioning: Contract Management	Review a sample of contracts for compliance with processes to manage/monitor service delivery including: contract formalities; variations; service improvements; performance management; budget monitoring; value for money.	1 to 3	High	1, 2, 3, 4, 5
Cyclical Compliance and/or establishment reviews	<p>Compliance: A programme of compliance reviews covering areas such as:</p> <ul style="list-style-type: none"> • budgetary control and implementation of new finance, HR/payroll systems; • GDPR; • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. 	2 to 4	High	2, 4, 5

Draft Internal Audit Plan 2019/20
(reviewed by the Audit & Transparency Committee – 11 February 2019)

Risks identified from the Council’s Risk Registers

The Council’s priorities and the associated risks as identified in the Council’s Risk Registers are summarised below. Where possible, audits in the plan will be linked to identified risk(s).

Risk Ref	Council Priority and Description of Identified Risks
1.	<p>Creating a compassionate Council:</p> <ul style="list-style-type: none"> • Managing statutory duties, health and safety, equalities, human rights, duty of care regulations, highways etc.; • Standards and delivery of care, protection of children and adults; • Failure of partnerships and major contracts; • Increase in complexity of working with Health partners; • Budget pressures resulting from an increase in the number of looked after children; • Schools - High needs block and Schools Grant budget pressure. Effective operating models and financial standards need to be maintained in readiness for the introduction of the National Funding Formula, to minimise the risk of budget deficits; • A change in the Early Years National Funding Formula; • The provision for vulnerable children subject to a child in need and child protection assessment and how this can continue to funded from Early Years DSG in line with government regulations; • Increase in costs due to the implementation of the Homeless Reduction Bill; • Impact of the Government’s programme of Welfare Reform on suitable tenancies in the private sector, increased homelessness and the greater use of expensive temporary accommodation such as Bed & Breakfast (B&B).
2.	<p>Being ruthlessly financially efficient:</p> <ul style="list-style-type: none"> • Commercial Contract Management and Procurement risks, rules, outcomes social value, management; • Business resilience risks, systems, processes, resources, IT and accommodation moves; • Information management and digital continuity, regulations, legislation and compliance (including GDPR, information governance structures, systems failure and/or cyber-attack, weak security hygiene policies, user awareness, IT health checks and compliance with industry standards; • Financial Management and Medium-Term Planning; • Adult Social Care balanced budget pressure in year and over the medium term; • Budgets not balanced, services overspent, delays to projects, under-achieving income targets and reduced revenue collection resulting in an increase in debt provision; • Failure to identify and address internal and external fraud; • Managed Services – effectiveness of replacement HR, Payroll and Finance Services solution; • Achievement of savings and service delivery following re-organisation and transformation projects; • Impact on Registrars' income due to HTH refurbishment and decant; • Achieving the commercial and SmartOpen savings in the Libraries & Archives service; • Insufficient funding to deliver the key elements of the Council’s Economic Growth priorities; • Reduction in the Adult Education Budget (AEB) funding following devolution to the London Mayor in 2019/20 and no other sources of income generation identified; • Potential cost of repairs and maintenance at the Lyric Theatre;

Draft Internal Audit Plan 2019/20
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Risk Ref	Council Priority and Description of Identified Risks
	<ul style="list-style-type: none"> • Delays in progressing the Corporate Property Capital Programme; • Market uncertainty due to prolonged negotiations surrounding Brexit affect availability of resources; changes in legislation or additional "red-tape", and/or available funding; • Changes to building regulations half way through a project affects scope of works and designs and changes have to be incorporated (e.g., Hackitt review).
3.	<p>Doing things with not to residents:</p> <ul style="list-style-type: none"> • Compliance with the statutory duties to undertake inspection regimes covering Management of Asbestos, Electrical Testing, Fire Risk, Plant and Equipment, Water/Legionella; • Co-ordination and response to calls on the Council for Mutual Aid in a crisis; • Coroner's Office (The Council Acts as a Lead for Services to other Local Authorities, West London Coroner's Service); • King Street Regeneration Programme.
4.	<p>Taking pride in Hammersmith & Fulham:</p> <ul style="list-style-type: none"> • Unachievable savings from existing contracts which are not yet due for re-tendering; • Facilities Management – Termination of the FM contract. Compliance tasks may not be completed resulting in the estate not being statutorily compliance; • Health & Safety breaches - Injury to members of staff or the public, liability as employers and managers, site safety and working with our contractors in Highways & Parks and heightened awareness of Fire safety, including Corporate buildings; • The effectiveness and accuracy of information following the implementation of the new Enterprise Resource Planning system and Managed Services model (relating to HR, Payroll and Finance); • Effective management of office moves and the redevelopment of the Town Hall and Extension; • Proper management and upgrades to ensure IT applications work efficiently and deliver service improvements; • Impact of savings and changes in service delivery on statutory duties, customer service, staff wellbeing and staff morale; • Harm to the public/environment/organisation; • Impact on staff from uncertainties and fatigue with change.
5.	<p>All Council Priorities</p> <ul style="list-style-type: none"> • Decision making and maintaining reputation and service standards. Governance, conduct, external inspections, information management; • Change Readiness e.g. Smartworking, New systems. • Challenges in Recruitment and retention; • Impact of a 'no-deal' Brexit on workforce, housing, contracts, residents, finances and ineffective guidance on contingency planning.

Draft Internal Audit Plan 2019/20
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4. Corporate Anti-Fraud Service

The work undertaken by the Corporate Anti-Fraud Service (CAFS) complements the work of Internal Audit and provides additional assurance to the Council that fraud risks are being managed effectively. Reactive and proactive work is planned during 2019/20 by CAFS in the following areas:

