


<p>London Borough of Hammersmith & Fulham</p> <p>AUDIT, PENSIONS AND STANDARDS COMMITTEE</p> <p>24 September 2019</p>	
<p>INTERNAL AUDIT UPDATE REPORT to August 2019</p>	
<p>Report of the Strategic Director of Finance and Governance</p>	
<p>Open Report</p>	
<p>Classification: For Information Key Decision: No</p>	
<p>Wards Affected: None</p>	
<p>Accountable Director: David Hughes, Director of Audit, Fraud, Risk and Insurance</p>	
<p>Report Author: David Hughes, Director of Audit, Fraud, Risk and Insurance</p>	<p>Contact Details: Tel: 0207 361 2389 David.HughesAudit@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. This report summarises internal audit activity in respect of audit reports issued and follow ups undertaken up to 13 August 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 up to 13 August 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 5 audit reports have been finalised since the last report to the Committee up to 13 August 2019, all of which received Satisfactory Assurance. One management letter was also issued and will be covered in the Review of Effectiveness report to be presented to the next meeting of the Committee.

Follow up of Recommendations

- 4.4. 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.
- 4.5. In the period from 1 July 2019 to 30 August 2019, 8 recommendations which were due to have been implemented have been followed up by Internal Audit. There was 1 high priority recommendation followed up and was confirmed as implemented. Of the 7 medium priority recommendations followed up:
 - 5 were implemented
 - 2 were partly implemented

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 Fawad Bhatti, Social Inclusion and Policy Manager, tel: 07500 103617.

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, 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 3 Shortlands

LIST OF APPENDICES:

1. Audit reports issued to 13 August 2019

Audit reports issued to 13 August 2019

APPENDIX 1

We have finalised a total of 5 audit reports since the last report to Committee in July up to 13 August 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	Gas Safety	Jo Rowlands	Satisfactory
2	2018/19	BT and Agilisys Contract Monitoring Arrangements	Veronica Barella	Satisfactory
3	2018/19	Housing Rents	Hitesh Jolapara	Satisfactory
4	2018/19	Coroners	Rhian Davies	Satisfactory
5	2018/19	Cemeteries and Bereavement Service	Sharon Lea	Satisfactory

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 Letter

No.	Audit Year	Audit Title	Director / Sponsor
1	2019/20	CIFPA Statement on the Role of the Chief Financial Officer (s151)	Hitesh Jolapara/Emily Hill