

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 13/09/2022

**Subject:** Internal Audit Progress Report (to August 2022)

**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 August 2022. Eight audits have been finalised, three of which received a Substantial assurance opinion, four receiving Satisfactory assurance and one 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

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

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## Background Papers Used in Preparing This Report

None

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### DETAILED ANALYSIS

#### Internal Audit Work to August 2022

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

Department	Audit	Assurance Opinion
Schools	Bayonne Nursery	Satisfactory
Economy & Legal Services	Disrepair Claims	Limited
Economy	Fire Safety	Satisfactory
	Lift Maintenance	Satisfactory
Environment	Leisure (GLL)	Satisfactory
	Council Tax	<b>Substantial</b>
	NNDR	<b>Substantial</b>
	Housing Benefit	<b>Substantial</b>

4. A summary of the Limited Assurance report is set out in Appendix 3.
5. In addition, four advisory reviews have been completed in the following areas:
  - Review of processes: SEND.
  - Review of processes: no recourse to public funds.
  - Review of funding claim (Environment): Innovate UK - Park and Charge
  - Managing and accounting for cash income and expenditure at St John XIII primary school.

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**

6. 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.
7. Appendix 1 shows the finalised audits as at the end of August 2022 and the status of the remaining planned audits is shown in Appendix 2.

## **Consultation**

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

## **Legal Implications**

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

*Implications verified by Grant Deg, Chief Solicitor (litigation and employment) on 22/08/2022.*

## **Financial Implications**

12. 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.
13. 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, Interim Director of Finance on 22/08/2022.*

## **Risk Management**

14. The Internal Audit Plan is developed and delivered to cover the key risks faced by the Council, to provide assurance on the key controls in operation and the effective management of key risks.

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

### **List of Appendices:**

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

## Internal Audit – Finalised Audits

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

## 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	Not yet Due	To be Confirmed
<b>Cross-cutting</b>	<b>2021/22:</b> <ul style="list-style-type: none"> <li>Debt Management (May 2022)</li> </ul>	<ul style="list-style-type: none"> <li>RFE Testing (ongoing through the year)</li> </ul>		<ul style="list-style-type: none"> <li>Contract Monitoring Framework (from 2021/22)</li> </ul>
<b>Finance</b>	<b>2022/23:</b> <ul style="list-style-type: none"> <li>Capitalisation of Works (Jun 22)</li> </ul>		<ul style="list-style-type: none"> <li>Pension Investments (Q3)</li> <li>Risk Management (advisory) (Q3-4)</li> </ul>	<ul style="list-style-type: none"> <li>VAT (from 2021/22)</li> </ul>
<b>Resources</b>	<b>2022/23:</b> <ul style="list-style-type: none"> <li>Mortuary (Aug 22)</li> </ul>	<b>2021/22:</b> <ul style="list-style-type: none"> <li>Equalities Impact Assessments</li> </ul> <b>2022/23:</b> <ul style="list-style-type: none"> <li>Adaptive Tech</li> <li>Registrar Service</li> </ul>	<ul style="list-style-type: none"> <li>Pensions Administration (Q3)</li> </ul>	<ul style="list-style-type: none"> <li>Right to Work (Advisory)</li> </ul>
<b>Children's Services</b>		<ul style="list-style-type: none"> <li>Supporting People Claims (on-going)</li> <li>New Placements Team (Q1)</li> </ul>	<ul style="list-style-type: none"> <li>Shared Service Governance (Q4)</li> </ul>	<ul style="list-style-type: none"> <li>Raising Payments on Mosaic (Advisory)</li> <li>Safety Valve Funding</li> <li>Post 16 Provision</li> </ul>
<b>Schools</b>	<b>2021/22:</b> <ul style="list-style-type: none"> <li>William Morris 6<sup>th</sup> Form (Jun-22)</li> <li>Old Oak Primary (May-22)</li> </ul>	<b>2022/23:</b> <ul style="list-style-type: none"> <li>Holy Cross RC Primary (Q1)</li> <li>The Good Shepherd Primary (Q1)</li> <li>Larmenier Sacred Heart Primary (Q1)</li> <li>Normand Croft Community (Q2)</li> </ul>	<ul style="list-style-type: none"> <li>St John's Walham Green (Q3)</li> <li>St Peter's CE Primary (Q3)</li> <li>Wormholt Park Primary (Q3)</li> <li>Jack Tizard (Q3)</li> <li>Randolph Beresford Nursery (Q4)</li> <li>Addison Primary (Q4)</li> <li>Melcombe Primary (Q4)</li> </ul>	

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

Plan Area	Draft Report Issued	In Progress/ Due to Start	Not yet Due	To be Confirmed
<b>Social Care &amp; Public Health</b>		<b>2021/22:</b> <ul style="list-style-type: none"> <li>• Hospital Discharge</li> </ul> <b>2022/23:</b> <ul style="list-style-type: none"> <li>• Disabled Facilities Grants (Q1)</li> </ul>	<ul style="list-style-type: none"> <li>• Commissioning &amp; Procurement (Q3)</li> </ul>	<ul style="list-style-type: none"> <li>• Equipment Contract</li> </ul>
<b>Economy</b>	<b>2021/22:</b> <ul style="list-style-type: none"> <li>• DLO Communal &amp; Programmed Remedial Works (Jul-22)</li> <li>• Tenant Service Charges (Jul-22)</li> <li>• Housing Repairs – Operations (Jun-22)</li> <li>• Housing Repairs – Contact Centre (Jul-22)</li> <li>• Capital Projects – Post Completion Records (Aug-22)</li> <li>• HRA Cost Apportionment (Jun-22)</li> </ul>		<ul style="list-style-type: none"> <li>• Neighbourhood CIL (Q3)</li> <li>• Leaseholder Debt (Q3) (from 2021/22)</li> </ul>	<ul style="list-style-type: none"> <li>• IHMS</li> </ul>
<b>Economy:</b> <b>Digital Services</b>	<b>2021/22:</b> <ul style="list-style-type: none"> <li>• IT Asset Management (Jun-22)</li> <li>• Ransomware (Jun-22)</li> </ul>	Digital Services: <ul style="list-style-type: none"> <li>• IT Audit Needs Assessment (Q2)</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure Resilience</li> </ul>	<ul style="list-style-type: none"> <li>• Disaster Recovery</li> </ul>

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

Plan Area	Draft Report Issued	In Progress/ Due to Start	Not yet Due	To be Confirmed
Environment		<ul style="list-style-type: none"><li>Resident Experience and Access Programme (Q2-Q3)</li></ul>	<ul style="list-style-type: none"><li>Libraries (Q3)</li><li>NNDR (Q3/4)</li><li>Council Tax (Q3/4)</li><li>Housing Benefits (Q3/4)</li></ul>	<ul style="list-style-type: none"><li>Hammersmith Bridge</li></ul>



## Summary of Limited Assurance Reports

Ref	Audit and Scope	Details	Assurance
1	<p data-bbox="264 268 421 292">Disrepair Claims</p> <p data-bbox="264 341 663 539">A housing disrepair legal claim can be initiated by a tenant when an issue with a property has been reported to the Council but has not been responded to or has been addressed to a low standard. The legal claim can include an element of compensation.</p> <p data-bbox="264 555 501 579">The audit scope included:</p> <ul data-bbox="264 595 663 793" style="list-style-type: none"> <li data-bbox="264 595 663 651">• Compliance with legislation, regulation, policies and procedures.</li> <li data-bbox="264 659 663 683">• Managing claims and works required.</li> <li data-bbox="264 699 663 722">• Proactive action to prevent claims.</li> <li data-bbox="264 738 663 793">• Management information and reporting.</li> </ul>	<p data-bbox="705 260 1335 284">Three high and six medium priority recommendations were made.</p> <p data-bbox="705 308 1973 419">The three high and one of the medium priority recommendations relate to areas affected by the resources available within Housing to carry out initial surveys for works, undertake necessary repairs and the post completion inspection process. An action plan is already in place to improve the processes for managing existing and new claims and the service has already obtained approval to increase the resources required .</p> <p data-bbox="705 443 1973 523">The housing disrepair claims process requires significant interaction between the Legal Services and Housing Disrepair teams. Some areas were identified for improvement to support this collaborative working, and five medium priority recommendations made in respect of the following:</p> <ul data-bbox="750 547 1973 1050" style="list-style-type: none"> <li data-bbox="750 547 1973 627">• Creating a centralised record of disrepair legal claims which can be used by both Legal Services and Housing teams to manage claims received. The teams each have trackers, which are not uniform due to the different focus of each team and the housing contractors' record of open cases is different from that maintained by the Housing Disrepair team.</li> <li data-bbox="750 651 1973 699">• Utilising the centralised record to record types of disrepair, level of compensation and legal costs to provide an oversight and consistency of settlements.</li> <li data-bbox="750 722 1973 802">• Identifying and documenting processes, policies and procedures for managing disrepair claims which are clear on responsibilities within each service, demonstrate the importance of working collaboratively and have been agreed by both Legal Services and Housing.</li> <li data-bbox="750 826 1973 882">• Establish a joint training plan for all staff within Legal Services and Housing who are involved in managing disrepair claims. The training needs to be available for all new staff and refreshed when any changes to legislation of process is agreed.</li> <li data-bbox="750 906 1973 1050">• At the time of the audit there were no appropriate performance indicators for each area of the service, including KPIs with contractors, for management reporting which would assist in identifying areas of pressure and enable the services to demonstrate performance improvement. It was recommended that the current approach for Disrepair claims reporting was reviewed to ensure that SLT and Councillors are fully appraised of the number, nature and outcome of claims made in respect of the Council's Housing portfolio.</li> </ul> <p data-bbox="705 1074 1973 1121">Following joint discussions with officers from both Legal Services and Housing, all recommendations have been agreed and the officers from both services will work together to successfully implement them.</p>	<p data-bbox="2018 260 2107 284"><b>Limited</b></p>