

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

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

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.

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Background Papers Used in Preparing This Report

None.

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:

Assurance Level	Description
Substantial Assurance:	There is a sound system of internal control designed to achieve their objectives and the control processes tested are being consistently applied.
Satisfactory Assurance:	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.
Limited Assurance:	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.
Nil Assurance:	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:

Department	Audit	Assurance Opinion
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 th Form (2021/22)	Oct-22	Limited	2	2	4	Nov-22

APPENDIX 1

Internal Audit – Finalised Audits

Plan Area	Auditable Area	Issued	Assurance level given	High Priority Recs	Medium Priority Recs	Low Priority Recs	Reported to Committee
Economy/ Finance	Tenant Service Charges (2021/22)	Sep-22	Limited	2	3	0	Nov-22
Economy	Direct Labour Organisation (2021/22)	Oct-22	Satisfactory	1	3	2	Nov-22
Economy	Housing Repairs - Operations	Oct-22	Satisfactory	0	2	1	Nov-22
Economy	Housing Repairs – Call Centre	Oct-22	Substantial	0	0	2	Nov-22
Digital Services	IT Asset Management & Access Control	Sep-22	Satisfactory	0	0	1	Nov-22
Digital Services	IT Ransomware	Sep-22	Satisfactory	0	3	0	Nov-22
Children's Services	SEN Processes (2021/22)	Jun-22	Advisory	n/a	n/a	n/a	Sep-22
Children's Services	No Recourse to Public Funds (2021/22)	Jun-22	Advisory	3	4	1	Sep-22
Schools	Bayonne Nursery (2021/22)	Jul-22	Satisfactory	0	3	4	Sep-22
Schools	St John's XIII Primary	Jul-22	Advisory	8	8	2	Sep-22
Economy	Lift Maintenance (2021/22)	Aug-22	Satisfactory	0	2	0	Sep-22
Economy	Fire Safety (2021/22)	Aug-22	Satisfactory	0	4	1	Sep-22
Economy	Disrepair Legal Claims (2021/22)	Aug-22	Limited	3	6	0	Sep-22
Environment	Leisure Centres (2021/22)	Jun-22	Satisfactory	1	5	1	Sep-22
Environment	NNDR (2021/22)	Jul-22	Substantial	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
Cross-cutting		<ul style="list-style-type: none"> RFE Testing (ongoing through the year) Contract Monitoring (from 2021/22) Grants 	
Finance	<ul style="list-style-type: none"> Capitalisation of Works (Sep-22) 		<ul style="list-style-type: none"> VAT: IA decision to defer based on priorities Risk Management (advisory) – review in 2023/24
Resources	Digital Services: <ul style="list-style-type: none"> IT Audit Needs Assessment (Feb-23) 	<ul style="list-style-type: none"> Pensions Administration – review of assurances 	<ul style="list-style-type: none"> Right to Work (Advisory): IA decision as Hants controls sufficient. Digital Services: Infrastructure Resilience & Disaster Recovery (re-prioritise from ANA review)
Children's Services		<ul style="list-style-type: none"> Supporting People Claims (on-going) New Placements Team 	<ul style="list-style-type: none"> Shared Service Governance – consider for 2023/24 Children's & Finance – Business Support consider for 2023/24 Safety Valve Funding – not required in year Post 16 Provision – not required in year
Schools	<ul style="list-style-type: none"> Normand Croft Community (Dec-22) St John's Walham Green (Feb-23) Larmenier Sacred Heart (Sep-22) 	<ul style="list-style-type: none"> St Peter's CE Primary (Q4) Wormholt Park Primary (Q3) Addison Primary (Q4) Melcombe Primary (Q4) 	<ul style="list-style-type: none"> Randolph Beresford Nursery (request to to defer to 2023/24)
Social Care & Public Health		<ul style="list-style-type: none"> Disabled Facilities Grants 	<ul style="list-style-type: none"> Commissioning & Procurement – Equipment Contract – not required in year Social Care: Data Analytics – no longer required
Economy		<ul style="list-style-type: none"> Neighbourhood CIL (Q3) 	<ul style="list-style-type: none"> IHMS – to consider in 2023/24 Leaseholder Debt – request to defer to 2023/24

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

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"> • Purchase orders were raised after invoices had been received with evidence of invoice approval not available (high). • No goods/services received checks were evidenced prior to invoice payment (high). • Expenditure on items not considered to be appropriate use of official funds (high). • The School Fund had not been audited since 2015 and no records or reports are maintained in relation to the fund (high). • The Financial Procedures Policy had not been reviewed since 2018 and did not contain sufficient guidance in respect of staff expenses (medium). • There were several unreconciled payments and receipts which were over six months old (medium). • Payroll reports were not reviewed and signed off by the Head Teacher (medium). • The asset register had not been independently reviewed since 2018 (medium). <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"> • 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). • DBS checks for two new members of the Governing Body were not done within 21 days of appointment (medium). • 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). • There were several unreconciled payments and receipts which were over six months old (medium).

Summary of Limited Assurance Reports

Ref	Audit	Details
		<ul style="list-style-type: none">• Purchase orders were not always raised for goods/services (medium).• An exception was identified in the process for checking self-employment status (medium).• The asset register did not contain a minimum monetary value of each asset and did not contain details of non-IT assets (medium).• There was no evidence that payroll reports were reviewed and approved by the Head Teacher ever month (medium).• The audit of the unofficial fund had not been presented to the Governing Body (medium). <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>