

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 27 November 2023

Subject: Internal Audit Progress Report (April to October 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 2023/24 Internal Audit Plan as at the end of October 2023. Two audits have been finalised, both of which received positive assurance opinions, with a further six audits at draft report stage.

The status of audits confirmed for inclusion within the Plan, is shown in Appendix 2.

Recommendations

1. For the Board to note and comment on the report.

Wards Affected: None

H&F Values

Our Values	Summary of how this report aligns to the H&F Priorities
Building a shared prosperity	Internal audit work covers a wide range of services including those which are delivered in partnership with local and national companies. Assurance may be required over governance arrangements to demonstrate the benefit to residents of co-delivered services.
Creating a compassionate council	Internal audit provides assurance that the Council's resources are managed appropriately to provide the most effective support to the most vulnerable residents.
Doing things with residents, not to them	Where engagement with residents is part of service development, internal audit will consider how well co-production and resident access is embedded in a process.
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.
Taking pride in	Investment in public realm services such as waste

Our Values	Summary of how this report aligns to the H&F Priorities
H&F	collection, street cleaning and open/park spaces is significant. The internal audit strategy identifies services for cyclical review, including contract management for outsourced services and performance delivery for in-house services.
Rising to the challenge of the climate and ecological emergency	Internal Audit consider the impact of strategies, including, the Climate and Ecology Strategy, in a number of different reviews that form part of the Internal Audit Plan.

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Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Internal Audit Work to October 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 2023/24 was reviewed by the Audit Committee in March 2023. 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.

- 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.

- Since the last report to Committee, two audits have been completed:

Department	Audit	Assurance Opinion
Children's Services	Direct Payments	Satisfactory
Environment	Modern Slavery Strategy	Substantial

Internal Audit Opinion

- 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.
- Appendix 1 shows the finalised audits as at the end of October 2023 and the status of the remaining planned audits is shown in Appendix 2.

Follow ups

- A total of 69 recommendations have been followed up in the year to date. Implementation of medium and high priority recommendations has been consistently effective with 82% of medium and high priority recommendations fully implemented with a further 7% partly implemented. One recommendation was no longer applicable and four recommendations have yet to be implemented. Further follow up will be undertaken on the recommendations partly or not yet implemented.

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, Assistant Director, Legal Services on 06 November 2023.

Financial Implications

12. The Internal Audit Plan for 2023/24 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, Director of Finance on 30 October 2023

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 on 26 October 2023.

List of Appendices:

Appendix 1 Summary of Audit Reports finalised as at end of October 2023

Appendix 2 Audit Plan 2023-24 Status Report

**Internal Audit – Finalised Audits
2023/24**

Plan Area	Auditable Area	Issued	Assurance level given	High Priority Recs	Medium Priority Recs	Low Priority Recs	Reported to Committee
Children's Services	Direct Payments	Oct-23	Satisfactory	0	4	4	Nov-23
Environment	Modern Slavery Strategy (2022/23)	Jun-23	Substantial	0	0	0	Nov-23

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.

AUDIT PLAN 2023/24 STATUS REPORT

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	Deferred
Cross-cutting	<ul style="list-style-type: none"> Contract Monitoring (May-23) 		<ul style="list-style-type: none"> Gifts & Hospitality (staff) – new system ongoing Declarations of Interest (TBC) 	<ul style="list-style-type: none"> Risk Management (defer to 2024/25)
Finance		<ul style="list-style-type: none"> Pensions Administration: Cyclical Review VAT 	<ul style="list-style-type: none"> Partnerships (TBC) 	
Corporate Services		<ul style="list-style-type: none"> Digital: New Acquisitions (Q2) 	<ul style="list-style-type: none"> Digital: Cyber Resilience (Possible addition Q3) Digital: Disaster Recovery (Q3) Digital: Local Business Continuity Planning (TBC) People & Talent: Right to Work (TBC) People & Talent: DBS Checks (TBC) 	<ul style="list-style-type: none"> People & Talent: On-line Appraisal System – Consider in 2024/25 as too early to review in 2023/24. Digital: Revs & Bens Application (defer from 2023/24 other priorities)
Children's Services	<ul style="list-style-type: none"> New Placements Team (Mar 2023) 	<ul style="list-style-type: none"> Supporting People Claims (on-going) Adoption Services (Q2) 	<ul style="list-style-type: none"> Children's & Finance – Business Support (Advisory) (TBC) Shared Service Governance (TBC) Fostering - Implementation of Case Management System (TBC) Safeguarding (Q3) Early Years (Q4) 	

AUDIT PLAN 2023/24 STATUS REPORT

Plan Area	Draft Report Issued	In Progress/ Due to Start	Not yet Due	Deferred
Schools	<ul style="list-style-type: none"> Randolph Beresford Nursery (Oct-23) 		<ul style="list-style-type: none"> Kenmont Primary (Q4) Cambridge School (Q4) 	
Social Care & Public Health	<ul style="list-style-type: none"> Disabled Facilities Grants (Mar-23) 	<ul style="list-style-type: none"> CQC Risk Management (ongoing) Public Health: Drug and Alcohol Service (Q3) 	<ul style="list-style-type: none"> Out of Borough Placements (Q3) Compliments & Complaints (Q3) Day Care (TBC) 	<ul style="list-style-type: none"> MH Services (replaced with review of Out of Borough Placements) Performance Management & Governance (info on deep dives to be provided) Home Care (new contract defer to 2024/25)
Economy		<ul style="list-style-type: none"> Housing Voids Facilities Management 	<ul style="list-style-type: none"> Leaseholder Charges – Project Review (Q3) Leaseholder Charges (debt management) (Q4) Housing Allocations (Q3) Building Safety Act(TBC) Health and Safety Inc Fire Safety (TBC) Procuring Energy (TBC) Planning / Building Control (TBC) 	
Environment	<ul style="list-style-type: none"> Anti-Social Behaviour (Sep-23) Climate Change (Nov-23) 	<ul style="list-style-type: none"> NNDR (Q2) Council Tax (Q2) Housing Benefits (Q2) 	<ul style="list-style-type: none"> Licensing (Q3) Trading Standards (Q4) 	