

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 11 March 2024

Subject: Internal Audit Progress Report (April 2023 to February 2024)

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 February 2024. Six audits have been finalised, two of which received a Substantial assurance opinion and four receiving Satisfactory assurance, with a further three audits at draft report stage.

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

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.

Our Values	Summary of how this report aligns to the H&F Priorities
Taking pride in H&F	Investment in public realm services such as waste 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.

Contact Officer:

Name: David Hughes
 Position: Shared Services Director for Audit, Fraud, Risk and Insurance
 Telephone: 020 7361 2389
 Email: David.HughesAudit@lbhf.gov.uk

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Internal Audit Work to February 2024

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.
3. Four assurance levels are used and when an audit is completed, an assurance opinion is provided (a description of the different assurance opinions is shown in Appendix 3).

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

Department	Audit	Assurance Opinion
Corporate Services	Council Tax	Substantial
Corporate Services	Housing Benefit	Substantial
Corporate Services	Digital: New Systems Acquisitions	Satisfactory
Schools	Randolph Beresford Nursery	Satisfactory
Environment	Community Safety – Anti-Social Behaviour	Satisfactory
Environment	Climate Change	Satisfactory

5. In addition, three audits are at draft report stage and are due to be finalised shortly.
6. Four advisory reviews/ activities have been completed in the following areas:
- Contract Management (various)
 - New Placements Team (Children’s Services)
 - Disabled Facilities Grants (Social Care); and
 - Risks Deep Dive (Social Care).

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 2024 and the status of the remaining planned audits is shown in Appendix 2.

Follow ups

9. A total of 90 recommendations have been followed up in the year to date. Implementation of medium and high priority recommendations has been consistently effective with 88% of medium and high priority recommendations fully implemented with a further 6% partly implemented. Further follow up will be undertaken on the recommendations partly or not yet implemented.

Consultation

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

Legal Implications

11. This report recommends that the Committee note and comment on the 5 (non-advisory) internal audits undertaken in relation to the Internal Audit Plan for 2023/24 as set out in Appendix 1 and notes the status of draft audits in the process of being completed. This is a regular update report on the position of internal audits as against the Internal Audit Plan.

12. 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.
13. 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.
14. The Constitution gives the Strategic Director of Finance responsibility for complying with the Regulations. The Audit Committee has responsibility for advising on strategic processes for risk, control and governance and the Statement on Internal Control. This report fulfils the obligations in the Regulations and the Constitution.
15. There are no other legal implications arising from this report.

Angela Hogan, Chief Solicitor (Contracts and Procurement) on behalf of Grant Deg, Monitoring Officer on 26th February 2024.

Financial Implications

16. 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.
17. 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 26th February 2024.

Risk Management

18. 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 26th February 2024.

List of Appendices:

- Appendix 1 Summary of Audit Reports finalised as at end of February 2024
- Appendix 2 Audit Plan 2023-24 Status Report
- Appendix 3 Assurance Opinions and Recommendation Priorities

Internal Audit – Finalised Audits

Plan Area	Auditable Area	Issued	Assurance level given	High Priority Recs	Medium Priority Recs	Low Priority Recs	Reported to Committee
Cross-cutting	Contract Management	Feb-24	Advisory	2	5	0	Mar-24
Corporate Services	Council Tax	Dec-23	Substantial	0	0	0	Mar-24
Corporate Services	Housing Benefit	Feb-24	Substantial	0	0	4	Mar-24
Corporate Services	Digital: New Systems Acquisitions	Feb-24	Satisfactory	0	1	1	Mar-24
Children's Services	New Placements Team (2022/23)	Nov-23	Advisory	0	5	0	Mar-24
Schools	Randolph Beresford Nursery	Nov-23	Satisfactory	0	4	2	Mar-24
Social Care	Risk Management Deep Dive	Nov-23	Advisory	0	0	0	Mar-24
Social Care	Disabled Facilities Grants	Feb-24	Advisory	0	5	0	Mar-24
Environment	Community Safety – Anti-Social Behaviour	Nov-23	Satisfactory	1	3	4	Mar-24
Environment	Climate Change	Feb-24	Satisfactory	0	5	3	Mar-24
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

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"> • 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: Ongoing Cyclical Review • VAT 	<ul style="list-style-type: none"> • Partnerships (TBC) 	
Corporate Services		<ul style="list-style-type: none"> • Digital: Cyber Resilience • Digital: Disaster Recovery • Digital: Local Business Continuity Planning • NNDR 	<ul style="list-style-type: none"> • 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"> • Adoption Services (Nov-23) • Safeguarding (Feb-24) 	<ul style="list-style-type: none"> • Supporting People Claims (on-going) 	<ul style="list-style-type: none"> • Children's & Finance – Business Support (Advisory) (TBC) • Shared Service Governance (TBC) • Fostering - Implementation of Case Management System (TBC) 	<ul style="list-style-type: none"> • Early Years: request to defer from the service
Schools		<ul style="list-style-type: none"> • Cambridge School 		<ul style="list-style-type: none"> • Kenmont Primary: Request from the school due to staff changes
Social Care & Public Health		<ul style="list-style-type: none"> • Public Health: Drug and Alcohol Service • Out of Borough Placements • Compliments & Complaints 	<ul style="list-style-type: none"> • 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)

AUDIT PLAN 2023/24 STATUS REPORT

Plan Area	Draft Report Issued	In Progress/ Due to Start	Not yet Due	Deferred
Economy	<ul style="list-style-type: none"> • Housing Voids (Jan-24) 	<ul style="list-style-type: none"> • Facilities Management (Nov-23) 	<ul style="list-style-type: none"> • Building Safety Act(TBC) • Health and Safety Inc Fire Safety (TBC) • Procuring Energy (TBC) • Planning / Building Control (TBC) 	<ul style="list-style-type: none"> • Leaseholder Charges – Project Review (Q3) • Leaseholder Charges (debt management) (Q4) • Housing Allocations (Q3)
Environment		<ul style="list-style-type: none"> • Licensing • Trading Standards 		

ASSURANCE OPINIONS AND RECOMMENDATION PRIORITIES

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.

Recommendations are categorised as either High, Medium or Low priority. A description of each of these is summarised below:

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.