

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 11 March 2024

Subject: Internal Audit Plan 2024/25

Report of: David Hughes, Shared Services Director for Audit, Fraud, Risk and Insurance

Responsible Director: Shared Services Director for Audit, Fraud, Risk and Insurance

Summary

The Strategic Audit Plan documents significant, persistent risks that the Council faces and the business areas to be covered over a five-year period. The Strategic Plan supports the annual planning process and ensures that internal audit continues to provide assurance over the breadth of the Council's operations.

The draft Annual Audit Plan (the Plan) has been prepared following consultation with Directors and takes into account the Council's corporate risks and priorities.

To ensure that the 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 reflect the risks and needs of the Council at the time. The Plan will be reviewed and updated following discussions with Directors, taking into account changing risks and priorities. The revised Plan will be reported to the Committee on a quarterly basis.

Recommendations

1. The Committee review the early draft of the Annual Audit Plan, as set out in Appendix 1, and comment on the audit work due to undertaken in the first quarter of 2024/25 and identify any specific audits to be considered during the coming year.
2. The Committee review the draft Strategic Audit Plan, as set out in Appendix 2, and consider whether it covers the persistent risks that the Council faces and outlines the business areas or themes that need to be considered as part of a five-year plan.

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	Where engagement with residents is part of service

Our Values	Summary of how this report aligns to the H&F Priorities
residents, not to them	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 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.

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Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

1. The Council's internal audit service is provided by the Shared Services Internal Audit Team which is managed by the RBKC based Shared Services Director for Audit, Fraud, Risk and Insurance. Audits are undertaken by the in-house audit team or through the external contractors to the service, in accordance with the Internal Audit Charter. Internal Audit is required to provide the S151 Officer, the Leadership Team and the Audit Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. 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. A primary role of internal audit is to provide assurance that the Council has robust systems of governance and control in place to achieve its priorities and meet its statutory responsibilities. The Council's internal and external environment continues to evolve and the way in which the Internal Audit Service is delivered must change to keep pace with

this. The traditional audit approach of planning a full year of audits in advance has become unsuitable as the original plan fails to keep pace with the organisation's needs.

3. As a result, we have implemented the following changes to the way in which we deliver the Internal Audit Service:
 - A Strategic Audit Plan has been developed which documents the significant, persistent risks that the Council faces and outlines, in broad terms, themes to be covered over a five-year period. This helps to ensure that internal audit does not become a purely reactive function.
 - We work with a '3 plus 9' Annual Audit Plan – planning out the next three months in detail, taking into account key risks and priorities, whilst keeping the remaining nine months more flexible. The Plan will then be revisited each quarter to confirm the following quarter's work and will include sufficient audit coverage to enable an overall annual opinion to be reached on the Council's control framework.
 - The option of focused coverage or less formal reporting is available where the traditional approach would not provide assurance as quickly as needed.
 - We seek to increase attendance on 'working groups' to provide advice and constructive challenge where real time input to projects and initiatives would be useful.
4. The draft '3 plus 9' Internal Audit Plan for 2024/25 is attached as Appendix 1 to this report. It should be noted that this Plan is an early draft, intended to focus on the work planned in the first quarter of 2024/25 and some changes may be required once all of the audit planning meetings have been held.
5. The Strategic Internal Audit Plan (2021-2026), which documents significant, persistent risks that the Council faces and outlines, in broad terms, themes to be covered over a five-year period, is attached as Appendix 2 to this report.
6. The Audit Strategy, Annual Plan and audit work is undertaken in line with the expectations of the Public Sector Internal Audit Standards (PSIAS). The Standard incorporates a code of ethics governing the integrity and conduct of internal auditors and the requirement for objectivity, confidentiality, and competency, including regard to the seven principles of public life.

Consultation

7. The Internal Audit Plan and the work undertaken by the Internal Audit Service is prepared in consultation with the Council's SLT and officers within the Council and supports the Strategic Director of Finance's responsibility under S151 of the Local Government Act 1972 relating to the proper administration of the Council's affairs.

Legal Implications

8. This report, in summary, recommends that the Committee (1) reviews a draft of the Annual Audit Plan of audits to be undertaken in the first quarter of 2024/25 and (2) reviews the draft Strategic Audit Plan which sets out persistent risks/business areas/themes over the next 5 years.
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. 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 confirms therefore that the Internal Audit Plan will be presented to the Audit Committee and fulfils the requirements of the Constitution.
 12. There are no other legal implications arising from this report.
 13. *Implications verified by Angela Hogan, Chief Solicitor (Contracts and Procurement) 26th February 2024 on behalf of the Monitoring Officer*

Financial Implications

14. 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.
15. The proposals contained in this paper have no additional resource implications for the audit service.
16. *Implications verified by Sukvinder Kalsi, Director of Finance, on 26th February 2024.*

Risk Management

17. 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. The audit of services is a crucial component of the Council's approach to Being Ruthlessly Financially Efficient. A Plan contributes considerably to the ongoing mitigation and management of financial and significant standing service risks as required by the Account and Audit Regulations and as outlined in Appendix 1 of the report.
18. *Implications verified by Moira Mackie, Head of Internal Audit, on 31st January 2024.*

List of Appendices:

- Appendix 1 Draft Internal Audit Plan 2024-25
- Appendix 2 Strategic Internal Audit Plan

Draft Internal Audit Plan 2024/25**Background**

The traditional approach of planning a full year of audits in advance has become unsuitable as the original plan fails to keep pace with the organisation's needs. The outline Internal Audit Plan (the Plan) for 2024/25, shows the audits planned in the first 3 months of the year, with areas of potential audit activity suggested for the remaining 9 months, where planning is more flexible.

The option of focused coverage or less formal reporting is available where the traditional approach would not provide assurance as quickly as needed. In addition, we seek to increase attendance on 'working groups' where real time input to projects and initiatives would be useful.

The Plan will be revisited each quarter to confirm the following quarter's work and will include sufficient audit coverage to enable an overall annual opinion to be reached on the Council's control framework.

Where possible, the Plan is aligned to the Council's corporate risks, however it should be noted that the Council's corporate risks and priorities may change during the year, and the Plan will be reviewed and updated as appropriate.

The Plan will be provided to the Strategic Leadership Team and the Audit Committee at the start of the financial year and will then be presented every quarter. The delivery of the Plan helps to create a culture of accountability; ensures that risk management processes are embedded, and contributes to the Council's governance framework.

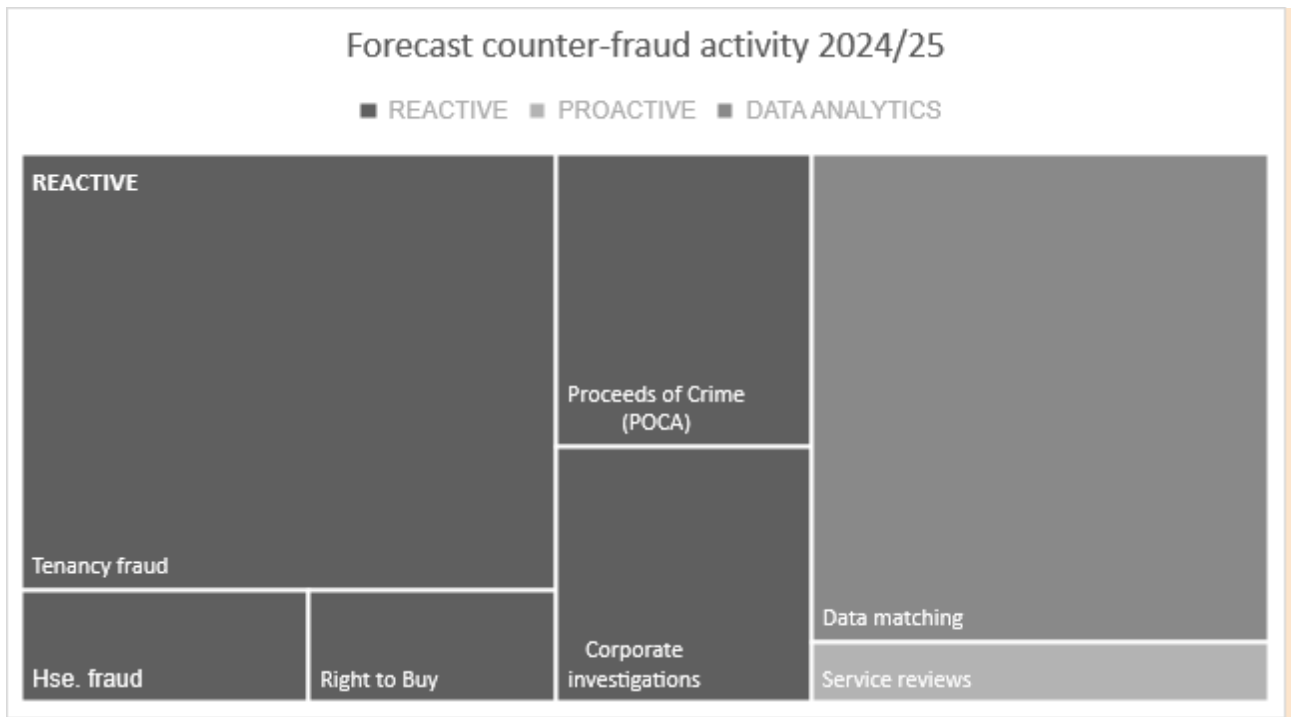
In addition, areas of fraud risk are evaluated by the Corporate Anti-Fraud Service (CAFS) and this information will be used to inform and focus some of the audit work planned, as well as identifying areas where pro-active exercises and data analytics can provide additional assurance that fraud risks are effectively managed.

Corporate Anti-Fraud Service (CAFS) 2024/25

The work undertaken by CAFS complements the work of Internal Audit and provides additional assurance to the Council that fraud risks are being managed effectively. The reactive work plan has been estimated using historical data to assess the required levels of commitment needed for fraud risk areas such as Tenancy fraud.

In contrast, proactive activities such as data analytics can be more carefully planned to ensure appropriate resources are available. For example, the biennial National Fraud Initiative data matching exercise will start in September 2024, with the initial extraction of data to be analysed.

The table below reflects the forecast activity for 2024/25.



Draft Internal Audit Plan 2024/25

Department	Review	Potential Coverage	Quarter	Risk*
Cross-Cutting	Regulatory burdens	Review regulatory burdens & preparedness across the Council.	1 to 2	5, 6, 9, 27 & 30
Cross-Cutting	Performance reporting	Data quality, verification & reporting	1	n/a
Cross-Cutting	Project/ Programme Management	Cyclical review (TBC): Capital Project(s)	1	1, 19
Cross-Cutting	Accounting Systems	Cyclical reviews (TBC): - Budgetary control - Accounts payable	2 to 4	19
Cross-Cutting	Risk Management	Cyclical review	3	n/a
Finance				
Finance	Capital Programme	Governance of objectives and pipeline	2 to 4	19
Finance	Procurement	Updated E-procurement system and contracts register	2 to 4	1
Finance	Partnerships/ companies	Governance	2 to 4	1
Finance	Housing Rents	Cyclical review	2 to 4	19
Corporate Services				
Corporate Services	FOIs, SARs, Members' enquiries	Process for handling and response approval	1	18
IT Related	Digital Services (& departmental systems)	3 out of 4 from: - Revenues and benefits application - Housing application - Cyber incident response and recovery - Data security – SharePoint - Network security – Civic campus	1 to 4	3, 4
Corporate Services: People & Talent	HR & Payroll	Cyclical review of 2 out of 3 from: - Overtime, Additions to pay - DBS - Training & Development - Performance Management/ Appraisal - Recruitment Absence Management	1 to 4	8, 12
Corporate Services	Elections	Readiness for Voter ID and Postal Voting controls	2	4
Corporate Services	Revenues & Benefits	Cyclical reviews: - Council Tax - NNDR - Housing Benefit	3	19
Corporate Services	Coroner's Service	Cyclical review	2 to 4	n/a

APPENDIX 1

Department	Review	Potential Coverage	Quarter	Risk*
Children's Services	Supporting People Claims	Ongoing. Review and approval of claims for Supporting People funding	1 to 4	6
Children's Services – Schools	Cyclical Reviews	Financial control and governance reviews	1 to 4	n/a
Children's Services	Fostering	New case management system	2 to 4	6
Children's Services	Cyclical review	2 out of 3 reviews from: - SEND - Looked after Children - Transitions - Contracts (e.g. Transport)	2 to 4	1, 6, & 16
Social Care & Public Health	CQC Inspection	Support re controls / processes if required	TBC	6
Social Care & Public Health	Direct Payments	Cyclical review	1	6
Social Care & Public Health	Client Affairs	Cyclical review	2 to 4	6
Social Care & Public Health	Homecare	Contract management	2 to 4	6
& Public Health	Contracts/ Procurement	Cyclical review (TBC)	2 to 4	6
Economy: Housing	Building Safety Act	Potential audits: - Building Safety Regulator requirements - Building Control Standards - New Build requirements	1 to 4	9
Economy: Housing	Housing Management	Social Housing Consumer Standards	2 to 4	27
Economy: Housing	Housing Management	Anti-social Behaviour	2 to 4	18
Economy: Housing	Housing Needs	2 out of 3 from: - Homelessness - Temporary Accommodation - Allocations - Supported Housing	2 to 4	n/a
Economy & Finance	Leaseholder Charges	Project Management review (project halted in 2023/24)	2 to 4	TBC
Economy & Finance	Leaseholder Debt	Improvements post new system implementation	2 to 4	19
Economy	Commercial Property Management	Cyclical review	2 to 4	19
Economy	Economic Development/	Cyclical review TBC	2 to 4	14, 19,

APPENDIX 1

Department	Review	Potential Coverage	Quarter	Risk*
	Regeneration			32
Environment	Emergency Planning	Cyclical review	1	31
Environment	Contract Management	2 out of 3 from: <ul style="list-style-type: none"> - Parks - Leisure - Waste Management - Highways/ lighting - Parking 	1 to 4	1,30
Environment	Building Control	Cyclical review	2 to 4	5, 9
Environment	Environmental Health	Cyclical review	2 to 4	5

*High and medium risks, as identified in the Council's Corporate Risk Register (October 2023) as shown in Appendix 2, Strategic Internal Audit Plan.

Strategic Internal Audit Plan (2021-2026)

1. The Strategic Internal Audit Plan sets out the medium-term direction of the Internal Audit service. This five-year plan outlines the priorities of the service and how Internal Audit can continue to provide an adequate level of assurance whilst taking into account resource limitations and the changing risk landscape.
2. The Strategic Internal Audit Plan is supported by the Audit Charter, which sets out the roles and responsibilities of Internal Audit, and the Annual Audit Plan, which outlines the internal audit work which will be undertaken each year.
3. All local authorities have faced significant financial reductions in recent years and increasing demand for its services and a reduction in the resources available to them which has, in turn, impacted on the control environment. In addition, local authorities are taking more risks as they explore innovative solutions in order to bridge funding gaps and transform the organisation. It is important that the Internal Audit service continues to evolve to ensure that it remains an effective assurance provider.
4. This Strategic Audit Plan has been prepared to document significant, persistent risks that the Council faces and outlines, in broad terms, themes to be covered. The intention of the five-year period of this plan is to ensure that, in becoming more agile, internal audit does not become a purely reactive function and continues to provide assurance over the entire breadth of the Council's operations. The Strategic Audit Plan will be aligned where possible to the Council's priorities.

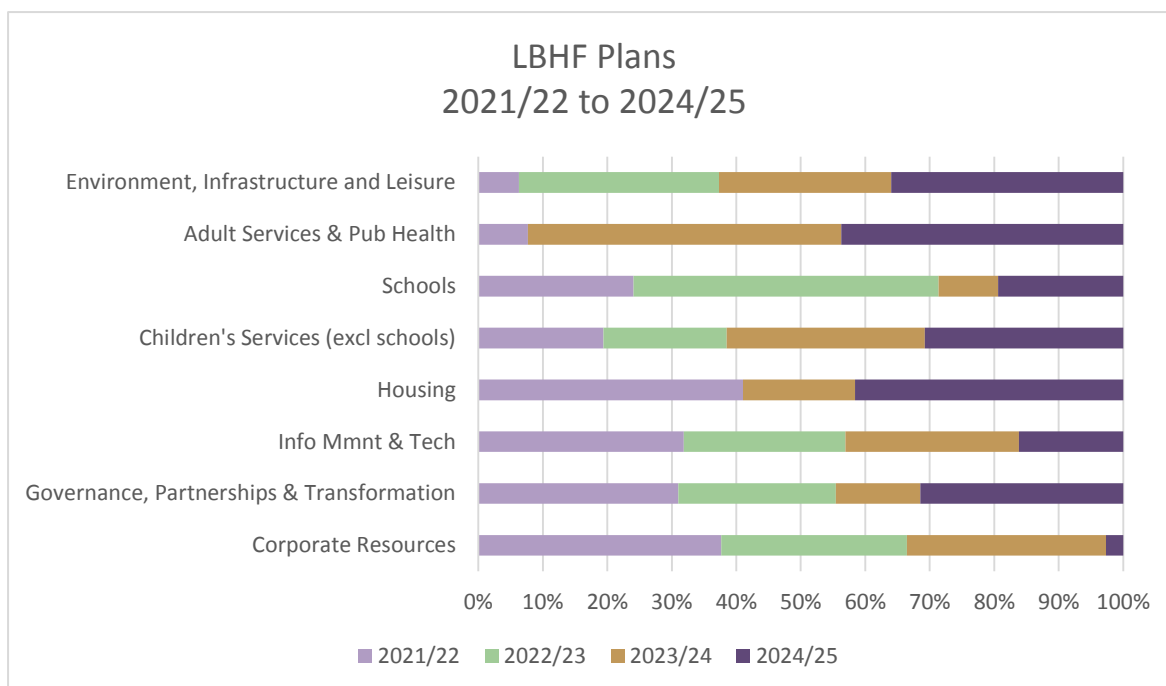
Area of Review	Significant Persistent Risks	Five-year Approach
<p>Corporate Resources Back office and support functions including Finance, HR, Pension Fund, business continuity, risk management, health and safety and procurement.</p>	<ul style="list-style-type: none"> • Internal and external fraud • Poor Financial management • Risks to staff safety and welfare • Value for money not achieved in commissioning, procurement and contract management. • Failure to provide robust and compliant pensions administration service. • Council/ pension funds not invested effectively. • Staff do not have the skills, resources or support to discharge their roles effectively. • Council unable to cope with business disruption or emergencies. 	<p>One full audit of each key financial system and ongoing testing of key controls every year.</p> <p>Cyclical Coverage of Revenues and Benefits over a three-year period.</p> <p>Two-year cycle of pension administration, treasury and pension fund management arrangements.</p> <p>At least one audit of each key HR Function.</p> <p>Other functions, themes or departments based on conversations with management, assessment of risk and other sources of assurance.</p> <p>Annual coverage of management of individual procurements and contracts based on review of forward plans, perceived risk, significance and discussions with management.</p>

Area of Review	Significant Persistent Risks	Five-year Approach
<p>Governance, Partnerships and Transformation Council governance functions, key strategic partnerships, commercial ventures and transformation programmes and projects.</p>	<ul style="list-style-type: none"> • Governance failures, bringing the Council into disrepute or leading to the aims and objectives of the Council not being achieved. • Programmes and projects are not managed effectively within the required budget and timescales, delivering all expected benefits. • Ill-advised strategic partnerships or ventures entered into or poor governance arrangements lead to objectives not being achieved. • Information requests (such as SARs and FOIs) are not responded to promptly and appropriately. • Statutory functions such as Registrars and Electoral Services are not discharged effectively. • Commercial property portfolio is not managed effectively. 	<p>At least one full audit of SARS, FOIs, Members Enquiries and Complaints.</p> <p>Annual coverage of Health and Safety based on discussions with management and understanding of risk areas.</p> <p>At least one audit of Gifts, Hospitality and Declarations of Interest.</p> <p>At least one audit of the Registrars Service.</p> <p>Annual audits of specific areas of governance based on discussions with management and understanding of risk.</p> <p>Coverage of each significant Partnership, Joint Venture, Council Owned Company or Commercial Venture.</p> <p>Annual Coverage of Risk Management at either a corporate, thematic or departmental level.</p>
<p>Information Management & Technology (Digital Services) Management of data, compliance with the Data Protection Act /GDPR. Information technology including cyber security, asset management and disaster recovery.</p>	<ul style="list-style-type: none"> • Loss of information, data breaches or inappropriate disclosure. • Loss of access/information due to systems failure or cyber-attack. • Breach of access controls. • Loss, theft or misuse of IT assets. 	<p>Periodic IT audit needs assessment and frequent discussions with management to understand risk areas.</p>

Area of Review	Significant Persistent Risks	Five-year Approach
<p>Housing Housing Services provided to Council Tenants, Leaseholders and those at risk of homelessness.</p>	<ul style="list-style-type: none"> • Properties are either acquired or disposed of that are not in line with the Council's strategy or value for money is not achieved. • Rent payments and service charges are not recovered promptly and completely. • Council housing is acquired through fraud or is used inappropriately. • Housing stock is not maintained in a satisfactory condition leading to health and safety hazards and increased reactive maintenance. • Risks to the health and safety of residents are not identified and addressed promptly. • Leaseholders are not consulted and correctly charged for any works affecting their property. • Homeless and those at risk of becoming homeless in the borough do not receive the support they require. 	<p>At least one full audit of key Housing functions such as Rents, Homelessness, Housing Allocations, Temporary Accommodation, Tenancy Management, Leaseholder Services.</p> <p>More frequent coverage of both responsive repairs and planned repairs and maintenance.</p> <p>Annual coverage of building Health and Safety compliance.</p>
<p>Children Services Provision of services for children and families including looked after children, family support, schools and SEND.</p>	<ul style="list-style-type: none"> • Failure in service continuity, safeguarding arrangements, financial management and governance. • Increased demands for services with reduced funding. 	<p>On-going in-year assurance on funding claims for Supporting People.</p> <p>Cyclical full review of specific areas such as placements, direct payments, looked after children based on discussions with management and understanding of risk.</p> <p>Each school reviewed at least once (with more frequent review where required).</p>
<p>Adult Social Care Services provided to adults including day care, home care, direct payments and reablement.</p>	<ul style="list-style-type: none"> • Increased demands for services with reduced funding. • Lack of suitable provision. • Weak supplier financial resilience. 	<p>Cyclical reviews of areas such as direct payments, home care, day centres, client affairs, partnership agreements based on discussions with management and understanding of risk.</p>

Area of Review	Significant Persistent Risks	Five-year Approach
<p>Public Health</p> <p>Services provided to support the public health & wellbeing of the community and reduce health inequalities within the borough including the response to pandemics.</p>	<ul style="list-style-type: none"> • Access to appropriate affordable resources to support improvement to public health priorities. • Changing public health priorities and capacity for delivery (as exemplified by Covid-19 pandemic). 	<p>At least one procurement and one contract monitoring review across 2 to 3-year period.</p> <p>Targeted reviews in specific areas based on discussions with management and understanding of risk.</p>
<p>Environment, Infrastructure and Community Services</p> <p>Management of highways infrastructure and services provided for residents, businesses, and visitors.</p> <p>Includes:</p> <p>Planning & building control, regeneration, new homes, industrial strategy, employment support schemes, parking, highways, public realm, environmental health, trading standards, community safety, leisure, culture, and amenity services such as libraries.</p>	<ul style="list-style-type: none"> • Statutory and regulatory functions not discharged effectively. • Weak supplier resilience / lack of provision. • Poor value for money/ ineffective service delivery/ failure to deliver outcomes for the community. • Injury to health /wellbeing to the community, businesses and visitors. 	<p>At least one procurement and one contract monitoring review across 2 to 3-year period.</p> <p>At least one programme or project management review (capital).</p> <p>At least one audit of the Libraries Service.</p> <p>Cyclical review across the service areas based on discussions with management and understanding of risk.</p>

5. The Chart below summarises the actual audit activity between 2021/22 and 2023/24 and the planned activity for 2024/25, using the "Areas of Review" contained in the Internal Audit Strategy.



High and Medium Corporate Risks (October 2023, these are regularly reviewed)

The Council's Corporate Risks are linked to the following Council Values:

1	Building shared prosperity
2	Creating a compassionate council
3	Doing things with local residents, not to them
4	Being ruthlessly financially efficient
5	Taking pride in H&F
6	Rising to the challenge of the climate and ecological emergency

APPENDIX 2

Where possible, planned audit work is linked to the Council's high and medium priority risks which are shown below:

Risk No.*	Risk	Residual Exposure	Council Value*
1	Commercial, contract management and procurement risks, rules, outcomes, social value, management of spend and contractor performance management.	Medium	4
3	Failure to maintain services to residents in the event of IT systems being compromised and affecting service resilience.	High	4
4	Information management and digital continuity, regulations, legislation and compliance.	Medium	4
8	Failure to identify and address internal and external fraud.	Medium	4
9	Failure to ensure compliance with the statutory duties to undertake inspection regimes covering management of asbestos, electrical testing, fire risk, plant and equipment, water testing/ legionella.	Medium	3 & 5
12	Unable to retain talented people in key posts at LBHF.	Medium	All
14	Failure to deliver the Civic Campus Programme	Medium	3
18	Management of complaints, requests for information, members enquiries.	High	All
19	Financial management – Medium-Term Planning.	Medium	4
21	Corporate management of health and safety.	Medium	All
22	Impact on the local economy and businesses from the closure of Hammersmith Bridge to pedestrians, road and river traffic.	Medium	3 & 5
26	Failure on the part of the Council to mobilise its response to the Climate Change emergency.	Medium	6
27	Repair system and contractor management not delivering performance at the required levels.	High	3 & 5
31	Failure to manage the negative impact of flooding, due to adverse weather conditions, on residents and businesses. Consequences of the Climate Emergency. One in a hundred events that lead to the overloading of our surface water systems (gullies) which results in widespread flooding and consequent damage to homes and businesses. Fluvial flooding as the most at risk London Borough.	Medium	5
32	Failure to maintain services to residents or progress works or development because of provider failure or market failure. (This includes a legal requirement to step in where care agencies fail even if the Council does not commission them).	Medium	All

*Risk number and associated Council Value as shown on the Corporate Risk Register, October 2023