

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 8 July 2024

Subject: Head of Internal Audit Annual Report 2023/24

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

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

Summary

This report summarises the work of Internal Audit in 2023/24 and provides the opinion of the Director of Audit, Fraud, Risk and Insurance on the adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion is provided for the use of the London Borough of Hammersmith and Fulham and is used to support its Annual Governance Statement.

The report sets out a consistent level of assurance being obtained and provided for 2023/24 through the work of internal audit. This reflects the commitment to a robust assurance framework being led by the Chief Executive, through monthly SLT Assurance meetings, and through the delivery of the Ruthlessly Financially Efficient programme of the Council.

Recommendation

For the Committee to note the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment (para 20) and to consider whether there are any areas the Committee would like to explore further.

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. |

| Our Values | Summary of how this report aligns to the H&F Priorities |
|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 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. From the Internal Audit work undertaken in the financial year 2023/24, reasonable assurance can be provided that the systems of internal control are effective with 89% of the audits undertaken receiving a positive assurance opinion, with no Nil Assurance audits being reported for the eighth consecutive year (Appendix 1). The number of Substantial Assurance audits issued has remained consistent with previous years with 5 issued in 2023/24 (five issued in 2022/23, seven issued in 2021/22 and five in 2020/21). Given the way in which the Audit Plan is constructed, it is not unusual for some reviews to be given a Limited Assurance rating and this does not indicate that there are pervasive issues with the Council's control environment but that there are actions required in specific areas to improve controls.
2. There are some areas where control improvements are required and compliance with agreed systems could be improved. In each case, action plans are either in place, or have already been implemented, to remedy the weaknesses identified. These will be followed up by the internal audit team until they are completed.
3. The Council was found to be effective, in most areas, at implementing recommendations where concerns in respect of controls were identified.
4. The report is a key element of the evidence supporting the Annual Governance Statement (AGS), which will be presented separately to the Committee with the Annual Accounts.

Internal Audit Work 2023/24

5. The Audit and Accounts Regulations 2015 require the Council to conduct a review of effectiveness of the system of internal control. This contributes to the Council priority of being Ruthlessly Financially Efficient. Detailed reports on the performance and outcomes of the internal audit work undertaken, have been presented regularly to the Council's Section 151 Officer and at each meeting of the Audit Committee.
6. Wherever possible, when planned audits are postponed, alternative work is identified or alternative sources of assurance are sought. A small number of audits are shown as in progress in Appendix 1 and some audits were no longer appropriate or deferred until a future year, by agreement with the service, which are detailed in Appendix 2. The Internal Audit service has also liaised closely with the Council's senior managers to prioritise the audit work undertaken and to assist them in identifying other sources of assurance including the Directors' Assurance Statements which were completed at the end of the financial year.
7. The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). One of the requirements of the PSIAS is that the Head of Audit confirms to the Committee, at least annually, the organisational independence of the internal audit activity. The [Internal Audit Charter](#) reinforces this requirement.

Declaration of independence and objectivity

The reporting and management arrangements in place are appropriate to ensure the organisational independence of the Internal Audit activity. Robust arrangements are in place to ensure that any threats to objectivity are managed at the individual auditor, engagement, functional and organisational levels. Nothing has occurred during the year that has impaired my personal independence or objectivity.

Head of Internal Audit

8. The Public Sector Internal Audit Standards (PSIAS) require an external quality assessment be undertaken at least every five years, although more frequent assessments may take place. The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or outsourced. Standard 1312 states:

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

9. The standards and interpreting guidance go on to clarify that the external assessor must conclude as to conformance with the Code of Ethics and the Standards. The lead assessor must demonstrate competence in the professional practice of internal auditing and the external assessment process. Neither the lead assessor or any members of the assessment team should have an actual or perceived conflict of interest and they must not be a part of, or under the control of, the organisation to which the internal audit activity belongs. The scope of the assessment must be agreed with an appropriate sponsor, such as the Director of Finance or the Chair of the Audit Committee.
10. Across London, the London Audit Group has organised a system of independently validated assessments. It has been agreed that self-assessments will be completed and that these will be validated by suitably qualified individuals or teams from other members of the group. The review of internal audit's performance across the shared service was undertaken by Paul Rock who is appropriately qualified, independent and has no actual or perceived conflicts of interest. The scope and approach for the assessment was agreed by the Executive Director of Resources at Royal Borough of Kensington and Chelsea.
11. The external review concluded that:
- The self-assessment was very thorough and well evidenced and covered both the Public Sector Internal Audit Standards as well as the Local Government Application Note produced by the Chartered Institute of Public Finance and Accountancy.
 - Based on the self-assessment, supporting evidence and independent validation the internal audit services for Royal Borough of Kensington and Chelsea, City of Westminster and London Borough of

Hammersmith and Fulham **generally conforms with the Public Sector Internal Audit Standards. This is the highest available rating.**

| | |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Generally Conforms | The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects. |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- The internal audit shared service is clearly delivering a high-quality service that is valued by all the authorities it serves. Of note is the approach to annual planning, which is agile and flexible. The service is recognised by stakeholders as extremely well led, respected and seen as supporting the organisations to achieve their respective objectives.
12. The external review, which includes definitions of the ratings available, and the recommended actions where areas were considered to partially conform to the standards, is contained in Appendix 5.
 13. In January 2024, the Institute of Internal Auditors published new Global Internal Audit Standards (GIAS). They will then replace the International Professional Practice Framework, the mandatory elements of which are the basis for the current UK public sector internal auditing standards (the PSIAS).
 14. The PSIAS are issued under the authority of the Relevant Internal Audit Standard Setters (RIASS) who are HM Treasury, the Scottish Government, the Department of Finance Northern Ireland and the Welsh Government, the Department of Health and Social Care and the Chartered Institute of Public Finance and Accountancy. Between them the RIASS determine what standards or other requirements are applicable to the practice of internal auditing in central government, local government and the health sector across the UK.
 15. The RIASS have agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector and have asked the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use.
 16. Development of IASAB material will be progressed with appropriate consultation with UK practitioners and other stakeholders in UK public sector internal auditing. Having regard to the points raised by respondents the IASAB will prepare final material for application in the UK public sector together with guidance on transition. Subject to approval by the RIASS, these will be issued later in 2024 to allow sufficient time for preparation for implementation.
 17. The effective date of the new material developed by IASAB will be 1 April 2025, to align with requirements for annual opinions and other relevant aspects of UK public sector governance which line up with the financial year. Until then, the existing PSIAS based on the old International Professional Practices Framework will continue to apply. The IASAB will review whether there are any issues in relation to assessment of conformance during the

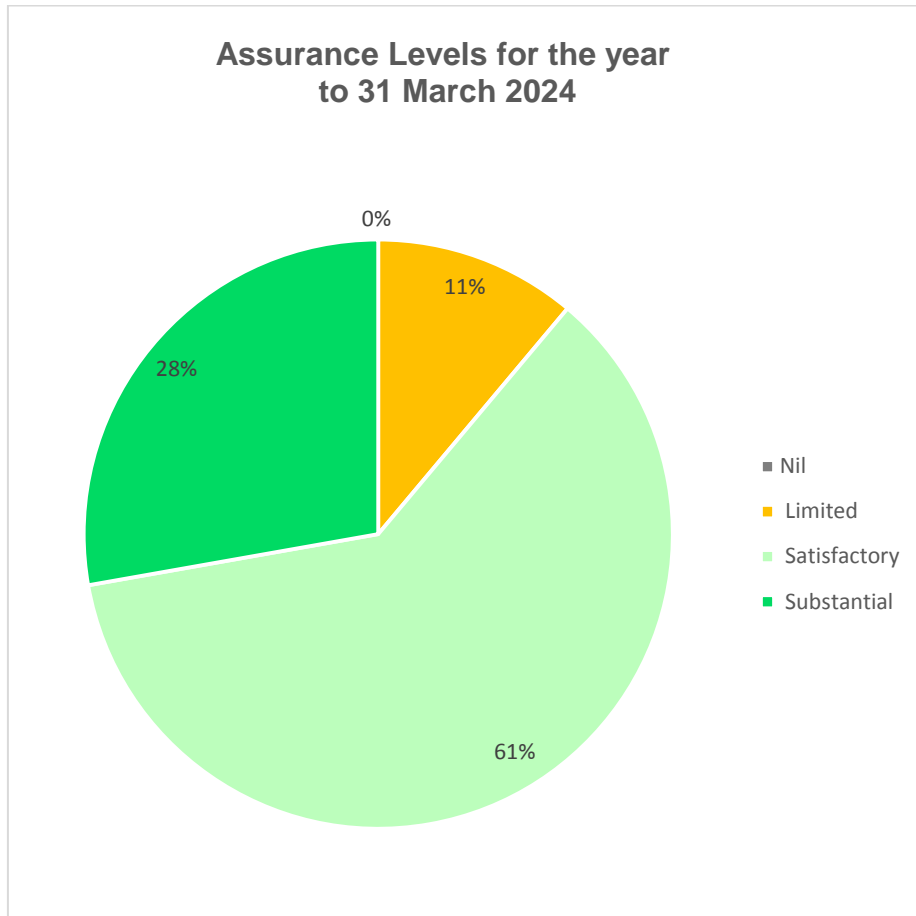
period from January to March 2025 and if needed will address these in the guidance on transition.

18. The Internal Audit Service is currently reviewing their Audit Charter and Strategy to consider recommendations raised in the External Quality Assessment and to ensure that they align with the new GIAS. The amended Charter will be presented to the Audit Committee prior to April 2025 once the IASAB review, referred to above, has been completed.

Internal Audit Opinion

19. As the provider of the internal audit service to the London Borough of Hammersmith and Fulham, the Director of Audit, Fraud, Risk and Insurance is required to provide the Section 151 Officer and the Audit Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. In giving this opinion, it should be noted that assurance can never be absolute. Even sound systems of internal control can only provide reasonable and not absolute assurance.
20. The opinion is that, at the time of preparing this report and based upon the work completed this year, the Council's governance, risk management and internal control systems in the areas audited were adequate with the exception of those areas detailed as Limited Assurance (see paragraph 23 below and Appendix 3). This is a positive opinion which means that the Council generally has effective internal control systems with 89% of audits receiving a positive assurance opinion (86% in 2022/23). No Nil Assurance reports have been issued again this year.
21. In the above context it should be noted that:
 - This opinion is based solely upon the areas reviewed and the progress made by the Council to action internal audit recommendations.
 - Assurance can never be absolute neither can internal audit work be designed to identify or address all weaknesses that might exist.
 - Responsibility for maintaining adequate and appropriate systems of internal control resides with Council management, not internal audit.
22. Issues arising from Internal Audit work which have significant implications for the Council's assurance framework, will be included in the Annual Governance Statement which is reported separately to this Committee. The Annual Governance Statement also ensures that follow up action is taken to remedy the key control weaknesses found.

Chart Showing assurance levels:



Limited Assurance Reviews

23. There were a few areas where improvements in compliance with controls were needed with a total of two audits being designated as limited assurance as set out in the table below:

| Service Area | Audited Area | Reported to Audit Committee |
|---------------------|-------------------|-----------------------------|
| Housing | Voids | July 2024 |
| Children's Services | Adoption Services | July 2024 |

Substantial Assurance Reviews

24. As identified earlier in the report, five Substantial Assurance reviews were issued in 2023/24 which are set out in the table below:

| Service Area | Audited Area | Reported to Audit Committee |
|--------------|-------------------------|-----------------------------|
| Environment | Modern Slavery Strategy | November 2023 |
| Corporate | Council Tax | March 2024 |
| Corporate | Housing Benefit | March 2024 |
| Corporate | NNDR | June 2024 |
| Finance | VAT | June 2024 |

Managed Services – Finance, HR and Payroll Systems

25. The Council's Finance, HR and Payroll systems are provided by the Integrated Business Centre (IBC) within Hampshire County Council (HCC). During 2023/24, HCC commissioned a Type 2 Report on the suitability of the design and operating effectiveness of service organisation controls which was prepared in accordance with the International Standard on Assurance Engagements (ISAE) 3402. The Report covered a sample of business processes in the following areas:

- General Ledger
- Order to Cash
- Purchase to Pay
- Cash and Bank
- HR and Payroll
- IT General Controls.

The report was provided by HCC to the Executive Director of Finance and provided reasonable assurance that the control objectives would be achieved.

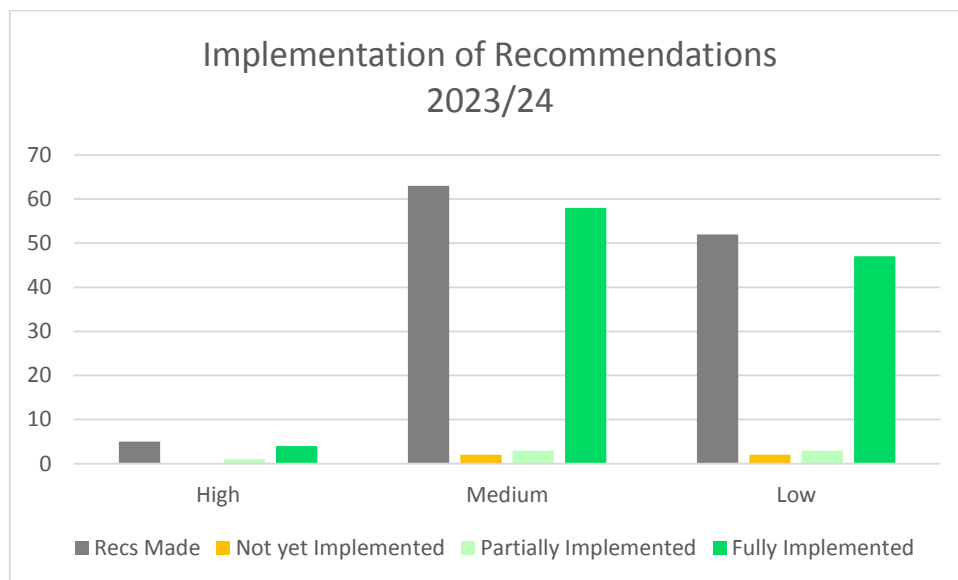
26. In addition to the assurances provided by HCC, the Council is required to apply complementary controls.

Follow up Audits

27. The implementation of audit recommendations is reported regularly to SLT Assurance and to the Audit Committee.
28. Follow up work is undertaken when most of the recommendations made are expected to have been implemented as indicated in an agreed management action plan. Sometimes recommendations cannot be fully implemented in the anticipated timescales. In these cases, where appropriate progress is being made to implement the recommendations, these are identified as partly implemented. Recommendations will be followed up until all high and medium priority recommendations are implemented or good progress in implementing them can be demonstrated. Where appropriate, the follow up is included in the next full audit of the area.

29. One-hundred and twenty (120) recommendations were followed up in 2023/24 and the implementation of medium and high priority recommendations had been consistently effective with 91% of all recommendations fully implemented, 6% partly implemented (1 high, 3 medium and 3 low priority) and 3% not yet implemented (2 medium and two low priority recommendations).

Chart showing Implementation of Recommendations:



30. Details of the recommendations not yet fully implemented are contained in Appendix 4.

Additional Sources of Assurance

31. In addition to assurance audits undertaken during the year, the service has provided support and guidance in several areas including:
- Contract Management (2022/23)
 - Pensions Administration
 - New Placements Team (2022/23)
 - Adult Services Risk Management
 - Disabled Facilities Grants (2022/23)
 - Out of Borough Placements

This type of engagement with the services is considered when determining the overall opinion of the Council’s governance, risk management and internal control systems together with outcomes provided from internal compliance and quality assurance checks, peer reviews and assessments from external bodies such Ofsted and the Care Quality Commission.

32. The Director of Audit, Fraud, Risk and Insurance, the Head of Internal Audit and the Risk and Assurance Manager, also attend meetings of groups across the Council where they contribute and provide advice and challenge where appropriate. During 2023/24, the following were attended:

- Contracts Assurance Board
- Residents and Building Safety Compliance Group
- Civic Campus Programme Board
- Procurement Act working group
- Fraud, Error, Recovery Hub Steering Group
- Health and Safety Board
- Service Resilience Group

Assurance on Risk Management

33. As an organisation the Council must ensure that it is delivering against priorities and requirements (political, community and statutory), that it is managing its processes effectively (finance, procurement, governance) and making best use of its resources (money, assets, people). This requires the Council to look both inwardly (to ensure we have effective governance and controls) but also outwardly at risk (e.g., to the risk to citizens, to protect citizens and build resilience).
34. The Senior Leadership Team (SLT) is responsible for providing sufficient assurance against risks and opportunities that affect (or impact upon) the Council and its citizens and communities. It sets the standards and ensures the Council has the right policies, practices and behaviours in place for effective assurance and risk management and is responsible for ensuring that new and emerging risks are identified, captured and appropriate mitigations are put in place.
35. The Council's Corporate Risk Register is reviewed by the Senior Leadership Team at least four times a year and the Register is reported at regular intervals to the Audit Committee for review and comment. SLT Assurance also undertakes deep dives into departmental risks registers, both to give assurance around departmental risk management arrangements and to identify potential additions to the Corporate Risk Register. During 2023/24 the Committee received a Risk Management Highlight Report and the Corporate Risk Register at their meetings on 26 July 2023, 27 November 2023 and 11 March 2024.

Assurance on Corporate Governance

36. Officers have undertaken an internal review to support the preparation of the draft Annual Governance Statement which will be reported to the Committee alongside the Council's draft Annual Accounts 2023/24 at its July 2024 meeting.
37. Each year, the Council's Directors complete an Assurance Statement which is an opportunity for them to assess the governance arrangements and sources of assurance within their department. Any significant issues should be identified and would feed into the Council's Annual Governance Statement. Internal Audit periodically test the content of Directors Assurance Statements, both to confirm their accuracy and to build upon our own picture of assurance across the Council.

38. The Council's corporate governance framework is considered to comply with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Consultation

39. The Director of Audit, Fraud, Risk and Insurance is required to provide an annual report and opinion on the Council's system of internal control under the Public Sector Internal Audit Standards. To enable this, an Internal Audit Plan covering the Council's key risks is devised in consultation with the Strategic Leadership Team and the work performed through this plan forms the basis of the annual opinion.

Legal Implications

40. 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.
41. 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.
42. 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.
43. There are no particular legal implications arising from this report.
- Implications verified by Grant Deg, Director of Legal Services on 23 June 2024.*

Financial Implications

44. The internal audit plan was delivered within the approved revenue budget for the service for 2023/24. 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.
45. Any resource implications from the implementation of the recommendations by services have to be contained within the relevant Directorate approved budgets.

Implications verified by Sukvinder Kalsi, Executive Director of Finance on 24 Jun 2024.

Risk Management

46. 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 on 20 June 2024.

List of Appendices:

- Appendix 1 Audits completed in 2023/24 and work in progress
- Appendix 2 Changes to the 2023/24 Audit Plan
- Appendix 3 Internal Audit Plan 2023/24 – Final Progress Report
- Appendix 4 Follow up of Implementation of Recommendations
- Appendix 5 External Quality Assurance (EQA) Report including Action Plan

Audit work completed in 2023/24

| Plan Area | Auditable Area | Issued | Assurance level given | High Priority Recs | Medium Priority Recs | Low Priority Recs | Reported to Committee |
|-----------------------------|-------------------------------------------------|--------|-----------------------|--------------------|----------------------|-------------------|-----------------------|
| Finance | VAT | May-24 | Substantial | 0 | 1 | 0 | Jul-24 |
| Housing | Housing Voids | Jun-24 | Limited | 2 | 7 | 2 | Jul-24 |
| Finance: Housing | Pensions Administration (on-going) | Mar-24 | Advisory | 0 | 0 | 0 | Jul-24 |
| Corporate Services | NNDR (draft) | May-24 | Substantial | 0 | 1 | 0 | Jul-24 |
| Children's Services | Supporting People's Claims (on-going assurance) | Mar-24 | Satisfactory | 0 | 0 | 0 | Jul-24 |
| Children's Services | Adoption Services | Nov-23 | Limited | 2 | 1 | 0 | Jul-24 |
| Children's Services | Local Safeguarding Children Partnership (draft) | Feb-24 | Satisfactory | 0 | 3 | 2 | Jul-24 |
| Schools | Cambridge School | Jun-24 | Satisfactory | 0 | 2 | 5 | Jul-24 |
| Social Care & Public Health | Compliments & Complaints (draft) | May-24 | Satisfactory | 0 | 4 | 2 | Jul-24 |
| Social Care & Public Health | Out of Borough Placements (draft) | May-24 | Advisory | 0 | 7 | 7 | Jul-24 |
| Environment | Trading Standards (draft) | Apr-24 | Satisfactory | 0 | 2 | 8 | Jul-24 |
| Environment | Licensing (draft) | Apr-24 | Satisfactory | 0 | 3 | 4 | Jul-24 |
| | | | | | | | |
| Cross-cutting | Contract Management | Feb-24 | Advisory | 2 | 5 | 0 | Mar-24 |

| Plan Area | Auditable Area | Issued | Assurance level given | High Priority Recs | Medium Priority Recs | Low Priority Recs | Reported to Committee |
|----------------------------------------|-----------------------------------------|---------------|------------------------------|---------------------------|-----------------------------|--------------------------|------------------------------|
| 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 School | Nov-23 | Satisfactory | 0 | 4 | 2 | Mar-24 |
| Social Care & Public Health | Disabled Facilities Grants | Feb-24 | Advisory | 0 | 5 | 0 | Mar-24 |
| Social Care & Public Health | Risks Deep Dive | Nov-23 | Advisory | 0 | 0 | 0 | Mar-24 |
| Environment | Community Safety: Anti-Social Behaviour | Nov-23 | Satisfactory | 1 | 3 | 4 | Mar-24 |
| Environment | Climate Change | Nov-23 | 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 |

2023/24 Audit work in progress

| Plan Area | Auditable Area | Status |
|-----------------------------|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corporate Services | Digital: Departmental Business Continuity | Commenced in Q4. Fieldwork in progress. |
| Children's Services | Fostering Service | Consider external review findings and progress made by the service on implementing recommendations and identify any areas for future audit consideration. |
| Social Care & Public Health | Public Health: Drug & Alcohol Service | Fieldwork complete and being reviewed prior to issue of the draft report. |
| Environment | Facilities Management | Initial work undertaken and discussed with the service. Agreed additional work required before reporting and this will be included in the 2024/25 audit plan. |

Changes to the 2023/24 Internal Audit Plan

The table below shows any audits removed from the 2023/24 plan, following discussions with management, or deferred to a future year.

| Plan Area | Auditable Area | Reason Audit work not Undertaken |
|-------------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cross-cutting | Gifts & Hospitality – new system | New system to be agreed to replace existing system delayed due to other higher priority tasks. |
| Cross-cutting | Declarations of Interest | Reviewed priorities to consider in a future year. |
| Cross-cutting | Risk Management | Reviewed priorities to consider in a future year. |
| Finance | Partnerships | Reviewed priorities to consider in a future year. |
| Housing | Building Safety Act | Too early to review in 2023/24 and will include in a future year. |
| Housing | Housing Health & Safety | Follow up reviews of previous audits undertaken and implementation of recommendations verified. New cycle of H&S audits to be programmed in from 2024/25. |
| Housing | Leaseholder Charges Debt Management (new system) | Project to implement the new system delayed. Will be considered for inclusion in 2024/25 plan. |
| Housing | Housing Allocations | Due to other work in the housing area and addressing issues raised by the Housing Ombudsman, this audit was deferred and will be included in the 2024/25 audit plan |
| Corporate Services | Digital: Cyber Resilience | Additional review originally added to the plan but agree to carry forward to future year if required. |
| Corporate Services | Digital: IT Disaster Recovery | Agreed focus on departmental business continuity arrangements (separate review), then undertake this audit in future year. |
| Corporate Services | Digital: Revenues & Benefits Application | Reviewed priorities to consider in a future year. |
| Corporate Services | People & Talent: Right Work & DBS Checks | Reviewed priorities to consider in a future year. |
| Corporate Services | People & Talent: On-line appraisal system. | Consider in 2024/25 as not implemented in 2023/24. |
| Children's Services & Finance | Business Support Services | Need time to become established. Agreed to defer to a future year. |
| Children's Services & | Shared Service Governance | Reviewed priorities to consider in a future year. |

| Plan Area | Auditable Area | Reason Audit work not Undertaken |
|-------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------|
| Finance | | |
| Children's Services & Finance | Early Years | Reviewed priorities to consider in a future year. |
| Social Care & Public Health | Day Care Services | Reviewed priorities to consider in a future year. |
| Social Care & Public Health | Mental Health Services | Replaced by audit of Out of Borough Placements. |
| Social Care & Public Health | Performance Management and Governance | Reviewed priorities to consider in a future year. |
| Social Care & Public Health | Home Care | New contract awarded need time to be embedded. Defer to future year. |
| Environment | Planning / Building Control | Reviewed priorities to consider in future year when new regulations are properly embedded. |

Internal Audit Plan 2023/24 – Final Progress Report

1. Executive Summary

- 1.1 The work carried out by the Council's Internal Audit Service since the last report to the Committee found that, in the areas audited, internal control systems were generally effective with two substantial and six satisfactory assurance reviews being completed in the period. In addition, two limited assurance reviews were reported in the period and these are detailed in paragraph 2.5.
- 1.2 The follow up reviews completed in the period on five audits confirmed that the implementation of recommendations has been generally effective with 100% of recommendations fully or partly implemented at the time of review. Those recommendations not fully implemented at the time of the follow up are contained in Appendix 4.

2. Audit Outcomes

- 2.1 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. |

2.2 Recommendations are categorised according to the table 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. |

2.3 Since the last report to Members, ten audits have been completed, eight of which did not identify any significant areas of concern:

| Audit | Assurance |
|-------------------------------------------|--------------------|
| Housing Voids – See para 2.12 | Limited |
| Adoption Services – See para 2.12 | Limited |
| Supporting People Claims | Satisfactory |
| Local Safeguarding Children’s Partnership | Satisfactory |
| Cambridge School | Satisfactory |
| Compliments and Complaints | Satisfactory |
| Trading Standards | Satisfactory |
| Licensing | Satisfactory |
| VAT | Substantial |
| NNDR | Substantial |

2.4 In addition, two advisory reviews/ support have been undertaken in the following areas:

- Out of Borough Placements
- Pensions Administration

Recommendations arising from advisory reports are followed up and the implementation of these recommendations will be reported in summary to the Committee.

Elections Readiness (work in progress)

- 2.5 As discussed with the Committee in March 2024, the 2024/25 audit plan includes a review of Electoral Services which was planned to be undertaken at the time of the Greater London Authority (GLA) Election (May 2024) with any learning applied when the General Election takes place later in the year. A particular focus would be on voter ID as this was the first time this was a requirement for those casting votes in person within the borough.
- 2.6 A review of processes in place was undertaken in the lead up to the GLA Election, with further discussions held with the Electoral Services Manager post-election to discuss what went well and what could have been done better.
- 2.7 The following areas were reviewed /discussed:
- Training for Polling Station officials
 - Voter ID and provision of Voter Authority Certificates
 - Postal Voting including handing in of votes and post-election notification of rejection of postal votes
 - Counting of votes (3-4 May)
 - Identification and confirmation of Polling Stations
 - Accounting for the costs of the election
 - Liaison with other boroughs
- 2.8 As responsibility for the GLA Election rests with the GLA Returning Officer, the Council worked with the three other boroughs in their designated constituency (West Central) and applied the training and accounting requirements of the GLA with the counting of votes undertaken for all three boroughs in the same location over 3 and 4 May. Whilst it was recognised that arrangements for the GLA Election was different in several ways from the Council's normal arrangements for managing an election, the principles and lessons learned would be useful particularly in respect of managing the Voter ID requirements within the Polling Stations.
- 2.9 The review commenced in mid-March and included discussions with the Electoral Services team plus audit participation in online and in-person training sessions which covered the roll of a Poll Clerk and Presiding Officer.
- 2.10 The post-election discussions were in mid-May and the work undertaken up to this point did not identify any concerns or significant challenges that had arisen during the GLA Elections. No specific issues were identified following the introduction of Voter ID and postal votes were carefully managed by the designated officer and a secure space provided for handling the postal votes. Whilst the voter participation in General Election is likely to be higher than in the GLA Elections, it has been a good opportunity for the staff and others involved in the election process to become familiar with the new rules on voter ID and how to manage this additional requirement efficiently and effectively.
- 2.11 Some additional work is expected to be undertaken in respect of the Electoral Services but this was paused due to the announcement on 22 May that the General Election will take place on 4 July and the need to allow the Service to prepare for this

so soon after the GLA Election. As such a formal report on this review will not be issued until after the additional work has been completed which is likely to be during the summer.

2.12 Limited Assurance Audits

| Ref | Audit | Details |
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| 1 | Housing Voids | <p>In August and September 2023, the Council undertook an internal 'Voids Performance Rapid Review' to understand issues and opportunities to improve void performance. At the time of the audit (October 2023) 310 properties were voids and the average re-let time in September 2023 was 20 days for minor voids. The scope of the audit included the following areas:</p> <ul style="list-style-type: none"> - Policies and procedures - Void process - Void standard - Void works - Void post inspection (partially reviewed) - Performance management (partially reviewed) <p>Two high and seven medium priority recommendations were made to address weaknesses identified. The weaknesses are summarised below and the agreed management action implementation date shown in bold text:</p> <ul style="list-style-type: none"> - NEC, the Council's Housing Management Software, captures all the void events for each void property and allows event target dates and actual date of completion to be entered. Target dates and actual dates of completion were consistently not populated into NEC by staff, leading to a lack integrity of data held on voids performance (high). NEC All void and key to key milestones are now live on NEC and recorded with power Bi trackers on the housing system for all stages. Standardisation and training for housing management and repairs staff has been completed and aware of system completions and the of the dashboard. Weekly voids meetings are in place to monitor progression of key to key time scales. Tenant portals reviewed to monitor allocations and sign ups against lettings. Void rental losses and income is now mapped and tracked across the stock (January 2024). - The Voids Procedure sets milestones and targets for each stage of the voids process and defines the criteria for the average re-let time which is measured from the date the previous tenancy was terminated, up to and including the date the new tenancy agreement starts. Testing demonstrated that milestones were not being completed to their assigned target. Delays early in the process, such as obtaining an asbestos survey, caused a knock of effect to latter phases, which leads to delays in starting void works (high). Voids have been broken down into 4 stages (tenancy termination, void works, viewings & lettings and sign-ups and lettings). All void works and aged voids are monitored and reported on weekly. Minor voids are measured (20 working days), major voids are measured (35 working days) and major works voids are removed from the key to key process and added to the capital programme for all voids with works exceeding £100k (January 2024). - From a sample of 10 of the 86 minor voids undertaken between April to October 2023, in all instances a pre-inspection was not completed (medium). Pre-inspections are due to commence at the beginning of August 2024. |

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| | Housing Voids (continued) | <ul style="list-style-type: none"> - The Lettable Standard had not been subject to periodic review and lacked evidence that it has been reviewed and approved by tenants (medium). Benchmarking on the Lettable Standard has been undertaken with resident groups and neighbouring boroughs (March 2024 and a separate voids process and standard has been produced in respect of sheltered housing and people living with dementia is due to be introduced from September 2024. - One out of 10 minor voids tested did not have a completed specification. Of the remaining nine, five specifications were not dated and we were unable to confirm the date the inspections took place. For all nine we were unable to ascertain whether the inspection was jointly undertaken with the contractor (medium). Inspections are undertaken jointly with the contractor wherever possible. If the contractor cannot attend this is recorded and an inspection will take place without the contractor but the non-attendance will be recorded and monitored for each contractor (February 2024). - Tenant feedback was not collected when a property was occupied (medium). Currently all voids are post inspected with FRAG resident representatives and void / housing team members. Customer satisfaction and tenant post-void surveys are due to commence in September 2024. - Review of the data reported to the Service Improvement Board and Directors found that performance on voids did not provide a breakdown between major and minor voids, despite having different targets. Furthermore, performance was not broken down between contractors (medium). Indicator ‘flags’ are now completed on the housing system to identify the different types of void works. Voids and rental loss are monitored & reported weekly (January 2024). A financial tracker is due to be launched in June 2024. - The voids dashboard is presented in Power BI which contains all voids data, however, the voids leadership group was not able to fully utilise the dashboard due to a lack of training in using Power BI (medium). Training needs have been addressed and there are weekly reviews of system usage and a process in place to monitor usage and tracking of voids (February 2024). - The actions for weekly meetings from September 2023 showed them to be high level and lacked direction on how to complete the action (medium). Voids performance was reported to the Service Improvement Board (SIB) 4 times in Oct/Nov 23. In November the SIB asked for a different approach to be taken so they were provided with consistent, quality data showing average time taken for voids to complete each stage of the process and to set out an improvement plan. Reporting was changed in December 2023 to a Strategic Operational Board for voids and gaps in reporting identified and prioritised to ensure data was reliable and appropriate (February 2024). <p>Two low priority (housekeeping/ best practice) recommendations were also made.</p> |

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| 2 | Adoption Services | <p>The Council are part of Adopt London which brings together four regional adoption agencies' services for 24 local authorities. Adopt London West (ALW) is a specialist regional adoption agency partnership between Brent, Ealing, Hammersmith and Fulham and Hounslow Councils hosted by Ealing, that provides a shared adoption service to the four partner Local Authorities, ALW commenced operation on 1st September 2019. In the financial year 2021/22, the ALW costing model was reviewed and a new model was agreed in September 2021 for the financial years 2022/23 to 2025/26.</p> <p>The scope of the audit included the following areas:</p> <ul style="list-style-type: none"> - Costing model - Inter-agency fees - Record keeping and data management - Performance management and Scrutiny <p>Areas of good practice included:</p> <ul style="list-style-type: none"> - the governance and steps taken by the Council to select the costing model for the Adoption Service. - the Council agreed the costing model at the ALW Partnership Board meeting on 25 October 2021, and this was noted in the Partnership Board 'Actions and Decisions Log'. The proposed costing model was taken to a Council Internal Scrutiny Committee prior to agreement. - assurance was gained through the finance workshops that the approved costing model aligned to the service's budget for 2022/23. - the costing model aligned with the priorities of the Adoption Service as the majority of the services were within adoption support and activity. - access to cases tested was restricted to the adoption service team. - The Council had three entities in place that monitor and scrutinise adoption services performance: the Corporate Parenting Board (CPB), the Care and Resource panel, and the Performance Learning Board (PLB). <p>Two high and one medium priority recommendations were made to address weaknesses identified. The weaknesses are summarised below and the agreed management action and implementation date is shown in bold text:</p> <ul style="list-style-type: none"> - Our testing of all adoptions between April 2022 and June 2023 identified that two cases, totalling nearly £61k which were the responsibility of the Council but no invoice or agreement for payment had been received by the Principal Accountant (high). Finance will coordinate with the service team to draw up an inter-agency fee procedure including payment process mapping, monitoring requirements and payment procedures. It will also set out governance process and service level agreement between finance and the relevant stakeholders. In addition, the Principal Account will set up quarterly meetings with the Head of Services, the ALW Business and Performance Manager and the Finance Team to assist in budget forecasting. All payments will be processed in a timely manner and queries will be dealt promptly (June 2024). - Testing of the information and documents expected to be retained according to Section 5.2.11 of the Children's Services Procedures manual, found numerous instances where the specified documents were not retained (high). One minute guidance was implemented and shared with all team managers and social workers as a working tool to ensure file records meet the recording expectations in the procedures. This has been discussed at team meetings and |

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| | Adoption Services (continued) | <p>management meetings (February 2024). A bi-annual audit of all children with Adoption Care Plans will be undertaken to verify recording (commencing June 2024).</p> <ul style="list-style-type: none"> - For one case, a payment (£33,781) was made 213 days after an invoice was raised. For this case there was no Service Level Agreement (SLA) retained on file and we therefore could not confirm whether the SLA was signed prior to payment and that the value specified within the SLA aligned with the invoice (medium). <p>The service noted that the delay in payment in this case resulted from a number of issues including: the name of the Regional Adoption Agency on the SLA (inter agency form) did not match the name of the Local Authority who were sending the invoice; the inter agency form was sent to the incorrect Head of Service for signature; and the signed form was not uploaded on the child's record.</p> <p>Written procedures for processing inter agency fees and paying invoices on time have been prepared and agreed. It has also been agreed that ALW will send the inter-agency SLA form to a specified Head of Service to check and verify the agreement and the form will include the name of the agency and host local authority. Practice Assistants in Support Services have taken on responsibility for ensuring that the signed SLA is uploaded on the child's record. The improved process will enable Finance and Support Services to raise the correct purchase order, match the invoice received to the purchase order and SLA and ensure payment is made within 30 days (June 2024).</p> |

Implementation of Recommendations 2023/24

The high (1) and medium (5) priority recommendations not fully implemented at the time of the follow up are summarised in the table below and further follow up will be undertaken to confirm implementation.

| Ref | Audit | High Priority | Medium Priority | Recommendation(s) in progress/ not implemented and original implementation date | Status (end of May 2024) | Revised Implementation Date |
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| 1 | ASC Supervision (Satisfactory) Audit Issued: Aug-2021 Follow up: Sep-2023 | 0 | 2 | <p>1) Line managers should be reminded of the importance of completing and submitting their supervision monitoring form (due Nov-2021).</p> <p>2) The Council should seek to undertake reporting of supervision to senior management monthly. KPIs should be introduced, which can be used to measure current performance (due Oct 2021).</p> | <p>1) Plan to complete and submit monitoring forms was instigated, however put on hold due to the Principal Social Worker (PSW) post being vacant. Now a Principal Social Worker is in post the recommendation is due to be implemented.</p> <p>2) Plan for KPIs to build into monitoring & reporting systems was put on hold due the PSW vacancy. Now that a PSW is in post the recommendation is due to be implemented.</p> | <p>1) October 2023</p> <p>2) November 2023</p> |
| 2 | William Morris Sixth Form (Limited) Audit issued: Oct-2022 Follow up: Feb-2024 | 1 | 0 | <p>The Voluntary Fund Account(s) should be reconciled monthly with the reconciliation signed and dated by the appropriate officer. The reconciliation should be reviewed, by a second officer with this review evidenced.</p> <p>Voluntary Fund Accounts should be audited by a registered auditor on an annual basis and presented to the FGB for review and approval.</p> | <p>The reconciliation was implemented in Feb-2022 when the new SBM joined.</p> <p>The 19-20 accounts were presented to the Finance Staffing and Resources Committee in May 2021. The accounts for 21-22 and 22-23 are still with the external auditor as the school had trouble finding paperwork for the 21-22 accounts which</p> | May 2024 |

| Ref | Audit | High Priority | Medium Priority | Recommendation(s) in progress/ not implemented and original implementation date | Status (end of May 2024) | Revised Implementation Date |
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| | | | | | delayed the audit. | |
| 3 | Libraries (Advisory) Audit issued: May-2023 Follow up: Oct-2023 | 0 | 2 | <ol style="list-style-type: none"> 1) The papers presented to Cabinet in February 2023 confirmed that the charges for 2023/24 were approved but did not detail the fees and charges for Libraries so they couldn't be reconciled with the fees and charges published on the website. 2) All staff have different safe access codes. As the codes had only been place for a month at the time of the audit, monthly access reports had not yet been produced and the library staff do not have access to obtain this reporting. | <ol style="list-style-type: none"> 1) The fees and charges for 2023/24 will be reconciled against the website to confirm the accuracy of the fees and charges published. Identified inaccuracies should be corrected. 2) The software that allows reporting will be provided to library staff and regular reporting will be implemented. | <ol style="list-style-type: none"> 1) September 2023 2) November 2023 |
| 4 | Jack Tizard School | 0 | 1 | <p>The school should ensure that:</p> <ul style="list-style-type: none"> - a PO is raised through the school's financial management system. - The PO should be approved in line with the Scheme of Delegation prior to funds being committed. - A goods received check is completed and evidenced prior to the payment of an invoice. - Invoices are paid within 30 days of the invoice date. If the with any invoices received late or in dispute, noted accordingly. | A vacancy since May 2022 has resulted in some of the processes and targets not achieving the school's usual high standards. The vacancy has been filled by a permanent officer who is undergoing training in the Spring Term which will enable them to support the School Business Manager with finance tasks. | June 2024 |