

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 16 March 2026

Subject: Internal Audit Progress Report (April 2025 to February 2026)

Report of: David Hughes

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

Summary

This report summarises the work of Internal Audit included in the 2025/26 Internal Audit Plan up to the end of February 2026. Six audits have been finalised, five of which received positive assurance opinions. Three further audits have been issued in draft and will be finalised on receipt of the management responses.

The status of the planned audits is shown in Appendix 1.

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 several different reviews that form part of the Internal Audit Plan.

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Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Internal Audit Work to February 2026

1. The Audit Committee are provided with updates on progress against the Internal Audit Plan and on any limited or no assurance audits issued in the period .with the outcomes of completed audits considered as part of the Annual Assurance Opinion provided at the end of the year by the Shared Services Director for Audit, Fraud, Risk and Insurance.
2. Four assurance levels are used when an audit is complete:
 - Substantial Assurance – sound system of control.
 - Satisfactory Assurance – generally sound system of control with some weaknesses.
 - Limited Assurance – Weaknesses in the system of internal control and/of the level of non-compliance puts objectives at risk.
 - No Assurance – Control weaknesses and/ or significant non-compliance with basic controls leaving processes/ systems open to significant error or abuse.
3. Recommendations made are categorised as follows:
 - High – recommendations represent fundamental control weaknesses which expose the Council to a high degree of unnecessary risk.
 - Medium – recommendations represent significant control weaknesses which expose the Council to a moderate degree of unnecessary risk.

- Low – recommendations show areas where there are opportunities to implement good or better practices, to improve efficiency or further reduce exposure to risk.

Audit Outcomes (1 September 2025 to 28 February 2026)

4. Six audits have been finalised in the period:
 - Housing Responsive Repairs (**substantial assurance**)
 - Housing – Gas Safety (**substantial assurance**)
 - Building Control (satisfactory assurance)
 - Administration of Coroner Service (satisfactory assurance)
 - St Paul’s CE Primary School (satisfactory assurance)
 - St Mary’s RC Primary School (limited assurance see Appendix 1)

Substantial Assurance Audits

5. The two substantial assurance opinions were in respect of audits within the Housing directorate which concluded that appropriate controls are in place which are well designed and consistently applied to enable effective delivery of the services provided. In respect of the responsive repairs audit, strong ratings were provided for performance data, management reporting and public participation. The audit highlighted several areas of good practice including the transparency of the repairs webpages, the resident-led scrutiny provided through the Fire, Building Safety and Repairs Working Group (FRAG) and the robust monitoring arrangements in place for both contractors and the Direct Labour Organisation (DLO). No high or medium priority actions were identified with only seven low priority actions raised, all of which the service is actively addressing.
6. Appendix 1 also shows the status of planned audits, as at the end of February 2026.

Follow ups

7. 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 “in progress.” Recommendations will be followed up until all high and medium priority recommendations are implemented or satisfactory progress in implementing them can be demonstrated. Where appropriate, the follow up is included in the next full audit of the area.
8. Ten follow up reviews have been completed in the period which confirmed that 47 of the recommendations made had been fully implemented, with 2 recommendations not fully implemented (one high and one medium priority).
9. In the year to date, 14 follow up reviews have been completed with 69 (100%) of all recommendations fully or partially implemented at the time of the follow up.
10. Details of high and medium priority recommendations not fully implemented at the time of the follow up review are contained in Appendix 2.

Consultation

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

Legal Implications

12. This is a regular update report on the position of internal audits as against the Internal Audit Plan.
13. 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.
14. 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, considering public sector internal auditing standards or guidance.
15. The Constitution gives the Executive Director of Finance and Corporate Services 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.
16. There are no other legal implications arising from this report.

Implications verified by Grant Deg, Director of Legal Services on 5 March 2026.

Financial Implications

17. The Internal Audit Plan for 2025/26 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.
18. 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 James Newman, AD Finance, 27 February March 2026.

Risk Management

19. 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 25 February 2026.

List of Appendices:

Appendix 1 Audit Plan 2025-26 Status Report.

Appendix 2 Implementation of recommendations 2025/26.

Internal Audit Progress Report (1 April 2025 to 28 February 2026)

The Audit Plan for 2025/26 was reviewed by the Committee in March 2025. To ensure the Annual Audit Plan is more responsive to changing risks and challenges, it has been developed as a ‘3 plus 9-month’ Plan. 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 regular basis and any significant changes in the coverage of the Plan will be highlighted.

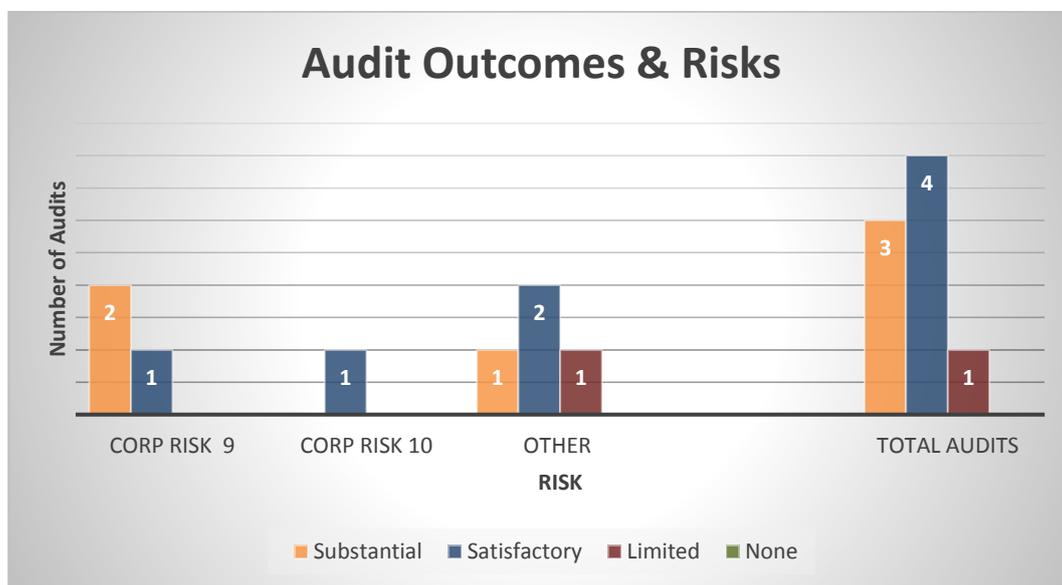
Where appropriate, audits are linked to the risks in the Corporate Risk (CR) Register which is summarised at the end of this Appendix.

Completed Audits year to date

As reported to the Committee on 27 October 2025, two reports were finalised in the period to the end of August 2025, both of which received positive assurance opinions.

A further six audits have been completed in the period 1 September 2025 to 28 February 2026:

- Housing Repairs (substantial assurance) – Corporate Risk 27
- Housing Gas Safety (substantial assurance) – Corporate Risk 9
- Building Control (satisfactory assurance) – Corporate Risk 10
- Administration of Coroner Service (satisfactory assurance) – finance & governance risk
- St Paul’s CE Primary School (satisfactory assurance) – finance & governance risk
- St Mary’s RC Primary School (limited assurance) - finance & governance risk



Corporate Risks (CR) as per the Corporate Risk Register reported to the Committee in October 2025, are summarised at the end of this Appendix for ease of reference. ‘Other’ includes areas such as governance and financial control risk areas not directly related to the Corporate Risks.

St Mary's RC Primary School (limited assurance)

Schools are audited on a cyclical basis using a programme of testing that covers the key areas of governance and financial management. The recent audit of St Mary's RC Primary School resulted in 2 high and 10 medium priority recommendations for improvements in the following areas:

- the bank reconciliation process (high)
- tracking income due from lettings (high)
- timely review of Governor's DBS checks and declaration of interest returns (medium)
- monthly budget monitoring (medium)
- evidence of an up-to-date bank mandate (medium)
- the evidence that the Governing Body and relevant Committee were aware of procurement options and best value (medium)
- purchasing of goods and services in compliance with the school's agreed policy and procedures (medium)
- evidence that HMRC (IR35) checks are undertaken for self-employed staff and invoices were approved by an appropriate officer (medium)
- expense claims being compliant with agreed processes (medium)
- improved record keeping in respect of balances (medium)
- evidence of approval of the payroll by an authorised officer (medium)
- improved record keeping on staff files for new starters (medium)

The school has accepted the recommendations who have stated that all have now been implemented and a follow up is planned prior to the end of the financial year.

Draft Reports

Since the last report to the Committee, a further three draft reports have also been issued where management responses are awaited:

- St Stephen's CE Primary School –finance & governance risk
- James Lee Nursery –finance & governance risk
- Housing Health & Safety – Lift Maintenance – Corporate Risk 9

Audits in Progress

Five audits are in progress at the time of reporting:

- Housing Fire Safety – Corporate Risk 9
- Environmental Health, Food Safety – finance & governance risk
- Housing Disrepair Claims – Corporate Risk 9
- IT Governance & Policy – finance & governance risk
- Housing Rents – Corporate Risk 19

Audits scheduled but not yet started

- Procurement Cards Data Analysis – delayed due to other priorities within the in-house team and disruption to resources available following the cyber incident – finance & governance risk.
- Flora Gardens Primary School – not due until March 2026 – finance & governance risk.

Audits removed from the Plan

The following audits have been removed from the Plan for the reasons stated:

- Avonmore Primary School – deferred to 2026/27 to accommodate changes at the school (finance & governance risk).
- Leaseholder Charges Debt Management – implementation of new systems were delayed by the cyber incident and resources were not available within the service to support an audit in the final quarter of the year (Corporate Risk 19).
- Homecare Contract Management – rather than review contracts that are due to expire, the audit has been delayed until new contracts are let and have become embedded so may be a couple of years in the future (Corporate Risk 1).
- Direct Payments for Adults – changes in the service and the work required following the cyber incident meant resources would not be free to support an audit in the final quarter of the year (Corporate Risk 33).
- IT Skills Capability & Knowledge – this audit was provisional and had not been agreed with the service and audit work has been focused on changes to the Digital Services Governance and Policy arrangements (finance & governance risk).
- Transition Services – this was due to commence in quarter 4 but an Inspection, which covered Transitions, was undertaken in late January and rather than risk duplication of effort, the outcome of this Inspection is awaited before any further work in this area is planned (Corporate Risk 33).
- Public Health Contract Management – following discussions with the service it was agreed that this would be more appropriate in the 2026/27 financial year and it will be included in the Plan for that year (Corporate Risk 1).

For information, summary of Corporate Risks (as at October 2025)

Ref	Corporate Risk (Type of Risk)	Description
1	Contracts and Procurement (Governance, Compliance, Legal)	The Council does not comply with new commercial, contract management and procurement legislation
3	Cyber Attack/ Data Breach (Technology)	IT systems are compromised and / or unable to operate in the event of a cyber-attack or data breach.
8	Fraud (Financial)	Failure to identify and address internal and external fraud.
9	Housing Health & Safety (Environmental)	Failure to ensure compliance with the statutory housing landlord duties including management of asbestos, electrical testing, fire risk, plant and equipment, water testing, legionella.
10	Building Safety Act (Governance, Compliance, Legal)	Failure to comply with the new Building Safety Act and certification of 49 Higher Risk Buildings (HRB).
12	Resourcing (People)	Loss of key personnel in a highly competitive employment market
18	Complaints & Information Requests (Governance, Compliance, Legal)	Management of complaints, requests for information, members enquiries are not completed according to our target timescales.

APPENDIX 1

Ref	Corporate Risk (Type of Risk)	Description
19	Available Funding (Financial)	The continuing pressure on the public finances (including interest and inflation rates) and the adverse impacts from the proposed Fair Funding Reforms in 2026/27.
21	Corporate Health & Safety (People)	Corporate management of health and safety does not meet statutory and Council policy requirements.
26	Climate Change Emergency (Environmental)	Failure on the part of the Council to mobilise its response to the Climate Change emergency.
32	Provider/ Market Failure (People)	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).
33	Care & Safeguarding, Adults & Children, (People)	Failure to ensure and/or identify inadequate standards and delivery of care, protection of children and adults and associated data quality and information risks.
34	SEND Financing (People)	Financial sustainability risk of the High Needs Block with demand and pressures exceeding the opportunities to mitigate.

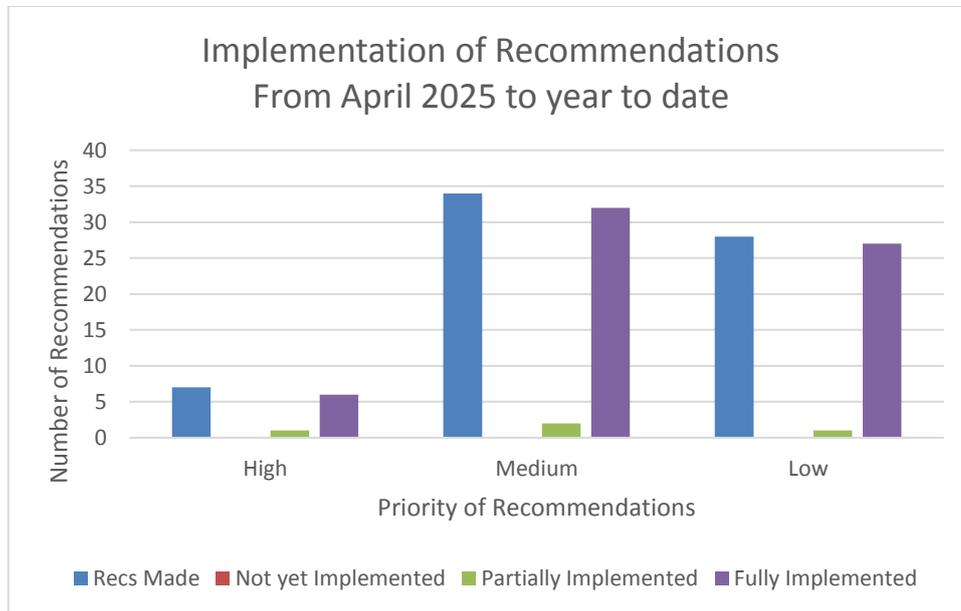
Implementation of Recommendations 2025/26

Completed Follow up Reviews (1 September 2025 to 28 February 2026)

Ten follow up reviews have been completed in the period which confirmed that 47 (96%) of the recommendations made had been fully implemented with 2 (4%) of the remaining recommendations in progress (1 high and 1 medium priority).

Audit	Recs Made	Recs Implemented	Recs in Progress	Recs O/S
Pension Investments	1	1	0	0
Supervision – compliance	4	4	0	0
Voids	10	9	1 (M)	0
Trading Standards	10	10	0	0
Adoption Services	3	3	0	0
Local Safeguarding Children Partnerships	4	4	0	0
Housing – Asbestos Management	2	2	0	0
All Saints CE Primary School	12	11	1 (H)	0
Community Safety – ASB	1	1	0	0
Cambridge School	2	2	0	0
Totals	49	47	2	0
Total High Priority	5	4	1	0
Total Medium Priority	24	23	1	0
Total Low Priority	20	20	0	0
Totals	49	47	2	0

In the year to end of February 2026, of the 69 recommendations followed up, 65 (94%) have been fully implemented and 4 (6%) partially implemented (1 high, 2 medium and 1 low priority).



APPENDIX 2

High and medium priority recommendations not fully implemented at the time of the initial follow up are summarised in the table below and further follow up will be undertaken to confirm implementation.

Department & Auditable Area	High	Med	Recommendation(s) in progress / not implemented and original implementation date	Revised Date	Status (28 February 2026)
<p>Place</p> <p>Climate Action Plan (Satisfactory)</p> <p>Audit Issued: Feb-2024</p> <p>Initial follow up: Apr-2025</p> <p>Next follow up: Sep-2025</p>	0	5	<p>1) Roles and Responsibilities across Departments assessed as not implemented.</p> <p>2) Monitoring Departmental Progress against the Action Plan assessed as partly implemented.</p> <p>3) Budget Process assessed as not implemented.</p> <p>4) Clarity of Leadership Roles assessed as partly implemented.</p> <p>5) Key Performance Indicators (KPIs) for Cabinet and SLT assessed as not implemented.</p> <p>Due by: Oct-2024</p>	All in June 2025	<p>1) Monthly meetings with key services to be formalised & responsibilities for actions laid out in the Climate Action Plan to be delegated.</p> <p>2) Service will quantify their progress against the Climate Action Plan in addition to using new and existing KPIs and qualitative updates. Revised implementation date is 31st May 2025</p> <p>3) Service will measure the impact of existing governance mechanisms to incorporate climate considerations into day-to-day spending of the Council. This will be used to identify further measures, and/or support, required.</p> <p>4) Further engagement with political members.</p> <p>5) Review KPIs & coverage of the Climate Action Plan will continue, including opportunities to better reflect action / inaction in key areas. Development of SMART targets beyond Net Zero 2030 has been proposed.</p> <p>Further follow up in progress.</p>
<p>Finance</p> <p>HRA Cost Apportionment (Satisfactory)</p> <p>Audit Issued: Dec-2022</p> <p>Initial follow up: Nov-2024 to Jun-2025</p>	0	1	<p>The HRA Finance Team should formalise a process of recording notes of the decisions made via email or calls to change apportionment methods. This should be recorded with sufficient detail to allow, where applicable, the Cost Apportionment Model to be updated.</p> <p>Due by: Nov-2023</p>	Dec-2025	<p>The recommendation has been partly implemented:</p> <ul style="list-style-type: none"> • There is an audit trail in the form of emails, meetings, working papers setting out the discussions and periodic review of the cost apportionment model. These all contribute to the final annual iteration of the model. However, the audit trail & steps taken in reviewing the model each year would be

APPENDIX 2

Department & Auditable Area	High	Med	Recommendation(s) in progress / not implemented and original implementation date	Revised Date	Status (28 February 2026)
Next follow up: Jan-2026					<p>easier to demonstrate & follow if formal minutes were taken at meetings setting out the decision made with sufficiently detailed rationale for the change & confirming the bases of apportionment & they align with guidance.</p> <p>Further action required • The review process next year to include formal minutes setting out clearly the changes made and the rationale for doing so with clear evidence of formal sign off by senior management.</p> <p>Further follow up due in Jan-2026.</p>
<p>*New Housing Voids (Limited)</p> <p>Audit Issued: Jun-2024</p> <p>Initial follow up: Aug-2025</p> <p>Next follow up: Apr-2026</p>		1	The Service should review the resources required/ available to allow all properties to be subject to a pre-inspection, except under specific circumstances.	Apr-2026	<p>The implementation of this action has been sporadic as the housing service has continued to go through a major restructure, including a completely new leadership team in the housing management area over the past few months. The restructure is coming to its conclusion in Qtr. 4, so should start to see this recommendation of pre-void inspections be fully implemented from Qtr. 4 onwards.</p> <p>Further follow up due post Apr-2026.</p>
<p>*New All Saints CE Primary School (Satisfactory)</p> <p>Audit Issued: Oct-2024</p> <p>Initial follow up: Nov-2025</p> <p>Next follow up: Apr-2026</p>	1	0	Purchase orders should be raised on the FMS prior to the purchase being made and agreed with the supplier. This will commit the expenditure and assist in budget management.	Apr-2026	<p>The samples tested had valid invoices which were paid promptly and goods receipted. However, we could not evidence the raising of a purchase order. We will return for a second follow up to test the progress of this recommendation.</p> <p>Further follow up due post Apr-2026</p>

Previously reported outstanding recommendations now implemented

Since the last report to the Committee, we can confirm implementation or acceptable actions have been taken in respect of the following high and medium priority recommendations which were previously reported as either partially or not implemented, and no further follow up is required:

Audit	High Priority	Medium Priority	Recommendation(s) previously outstanding	Confirmed as implemented
<p>People ASC Supervision (Satisfactory)</p> <p>Audit Issued: Aug-2021</p> <p>Initial follow up: Sep-2023</p> <p>Final follow up: Oct-2025 (delayed accommodating the CQC inspection)</p>	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>	November 2025
<p>Place Community Safety Anti-Social Behaviour (Satisfactory)</p> <p>Audit Issued: Nov-2023</p> <p>Initial follow up: Sep-2024</p> <p>Second follow up: Apr-2025</p> <p>Final follow up: Oct-2025</p>	0	1	<p>1) Review ASB and Community Trigger policies & procedures to ensure they reflect updates to the Anti-Social Behaviour, Crime and Policing Act where necessary, and to ensure that they reflect best practice (due Apr 2024).</p>	October 2025
<p>Schools Cambridge School (Satisfactory)</p> <p>Audit Issued: Jun-2024</p> <p>Initial follow up: Apr-2025</p> <p>Final follow up: Sep-2025</p>	0	2	<p>1) The school needs to improve on raising POs in advance of purchases.</p> <p>2) The leavers overpayment had not been recouped and actions required to reduce the risk of a re-occurrence.</p>	November 2025