

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	23 September 2020
Classification:	General Release
Title:	Internal Audit Progress Report (July to August 2020) and Revised Audit Plan
Wards Affected:	All
Key Decision:	No
Financial Summary:	There are no financial implications arising from this report
Report of:	Director for Audit, Fraud, Risk Management & Insurance
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1. Executive Summary

- 1.1 The Covid-19 pandemic has slightly delayed the start of the 2020/21 Internal Audit work, which is in line with audit teams across the London boroughs. As no audits have been finalised since the last report to the Committee, this report provides an update on current work in progress but no opinion is given on the adequacy and effectiveness of the Council's governance, risk management and controls.
- 1.2 The Audit Plan for 2020/21 has been revised to consider the impact of Covid-19 on the services and changes to service delivery and personnel, which is contained in **Appendix 1**.

2. Recommendation

That the Committee consider and comment on the revised audit plan and note the status of the audits which are in progress.

3. Reasons for Decision

The work undertaken by the Internal Audit Service is reported to the Committee during the financial year to enable the Committee to consider the progress made against the Internal Audit Plan and the outcomes of the completed audits which are considered as part of the Annual Assurance Opinion provided by the Shared Services Director for Audit, Fraud, Risk and Insurance.

4. Background, including Policy Context

The Council's internal audit service is managed by the Shared Services Director for Audit, Fraud, Risk and Insurance. Audits are undertaken by the in-house audit team or by the external contractor to the service, in accordance with the Internal Audit Charter. Key issues identified from audit work are reported each month to the Council's Deputy Section 151 Officer. The Audit & Performance Committee are provided with updates at each meeting on all assurance audits issued in the period.

5. Internal Audit Plan 2020/21 and Audit Progress (July to August 2020)

- 5.1 The first draft of the Internal Audit Plan was presented to the Committee in February 2020. As a result of the Council's need to focus their resources on responding to Covid-19, the Internal Audit Service took the decision not to commence any new work during April to June unless it was specifically agreed with the service. As a result, since the last report to Committee (July 2020), no final reports have been issued therefore no assurance opinion can be given at this stage on the adequacy and effectiveness of the Council's governance, risk management and control processes.
- 5.2 This slight delay in commencing the audit work has provided us with an opportunity to review the original Audit Plan and to consider changes in risks and personnel and re-engage with the Senior Managers at the Council. Internal audit are also considering how sufficient coverage can be obtained over the course of the year, including through the use of data analytics and by undertaking a number of cross-cutting reviews (with samples being taken from all directorates rather than focussing on one directorate only). The updated Audit Plan is attached as Appendix 1 for consideration by the Committee.

- 5.3 Audit work is in progress in the following areas and the outcomes from a number of these audits will be included in our next report to the Committee:

Dept	Audit	Status
ASC	Direct Payments	Draft report issued
	Deprivation of Liberty Standards	In progress
	PH – Test & Trace Controls	In progress
CHS	Cost Sharing Agreements	Draft report issued
GPH	Housing Integration of Emergency Planning	Draft report due
	Westminster Community Homes	In progress
	Managed Halls – Lillington & Longmore	In progress
F&R	Financial Assessments	In progress
	Review of Compliance – Corporate Buildings FM Transfer	In progress
	Commercial Property Management	In progress
	Discretionary Grant Checks	In progress

- 5.4 Internal Audit is currently involved in reviewing new processes set up due to the pandemic, such as proactively managing Public Health spending in areas such as Test and Trace. In addition, the service is providing some post payment assurance checks on discretionary grants provided by the Council.

6. Follow up

Follow up work is undertaken when the majority 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 good progress in implementing them can be demonstrated. Where appropriate, the follow up is included in the next full audit of the area

At the last meeting of the Committee (July 2020), the actions required in response to the limited assurance audit of Client Affairs and the Cemeteries Contract Monitoring audit were discussed. The implementation of these actions is currently being reviewed and the outcome of these follow ups is expected to be included in our next report to the Committee.

7. Financial Implications

There are no financial implications from this report.

8. Legal Implications

There are no legal implications from this report.

9. Staffing Implications

There are no staffing implications from this report.

10. Consultation

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

If you have any queries about this Report or wish to inspect any of the Background Papers - please contact:

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BACKGROUND PAPERS:

Internal Audit Plan

Westminster City Council

Internal Audit Plan

2020/21

First Draft - January 2020

Updated – August 2020



City of Westminster

Revised Audit Plan (updated August 2020)

1. Introduction

- 1.1 The first draft of the Internal Audit Plan was presented to the Committee in February 2020. As a result of the Council's need to focus their resources on responding to Covid-19, the Internal Audit Service took the decision not to commence any new work during April to June unless it was specifically agreed with the service. This slight delay has provided us with an opportunity to review the plan and to consider changes in risks and personnel and re-engage with the Senior Managers at the Council. The Plan is flexible to allow for change where areas of higher priority are identified, whilst ensuring that sufficient internal audit coverage is provided to enable the Director for Internal Audit, Fraud, Risk and Insurance to provide the Council with an opinion at the end of the year on the adequacy of the Council's internal control, risk management and governance arrangements.
- 1.2 The Plan identifies the key areas within the Council where we expect to utilise our resources during 2020/21 and has been re-issued to Senior Managers. The content of the Plan is informed by the Council's key priorities, significant emerging and current risks as identified in the Council's Risk Registers as well as changes made to Council systems, structures and service delivery. Areas of high risk have been identified and included in the Plan as well as cyclical and thematic reviews in areas of lower financial risk (e.g. schools).
- 1.3 In addition, areas of fraud risk have been identified and evaluated by the Corporate Anti-Fraud Service and this information will be used to inform and focus the scope of some of the planned audits as well as identifying areas where pro-active exercises and data analytics can provide additional assurance that fraud risks are effectively managed (see Section 5 of this report).

Revised Audit Plan
(updated August 2020)

2. Audit Resources

2.1 The table below shows an **estimate** of how the audit resources will be allocated to fulfil the Council's Audit Plan for the 2020/21 financial year (with 2019/20 figures for comparison purposes). In areas where services are provided on a shared basis with other councils, the resources assigned to the audit is shared across the Councils.

Audit Coverage	Audit Plan Resources	
	2020/21 %	2019/20 %
Cross-Service/ Council Wide Reviews	12	0
Adult Social Care & Public Health*	10	9
Children's Services*(including Schools)	12	9
Finance & Resources (including IT and Procurement) *	20	33
People Services	5	6
Legal Services	2	2
Innovation & Change (previously PP&C)	2	2
Growth, Planning Housing	12	13
Environment & City Management	12	13
Management	13	13

*These areas include Shared Services audits. The resources used on shared service audits are apportioned across the councils.

**Revised Audit Plan
(updated August 2020)**

3. Audit Plan

Cross-service/thematic reviews:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Procurement	Any significant procurement where an advisory review could be undertaken.	TBA	TBA	1, 3, 4
Contract Management	Consideration of contract management arrangements, particularly in view of Covid-19 impact on service delivery – to review in consultation with Procurement. .	3 to 4	High	3, 4
Cyclical Compliance reviews	Corporate reviews in the following areas: <ul style="list-style-type: none"> • Ethical governance including declarations of interest reporting, gifts & hospitality • Compliance with organisational management controls (e.g. vacancy control, use of agency staff) • Risk management • Control improvements identified following internal/external reviews • Use of Procurement Cards • Management of expenses • Budgetary Control • Governance 	2 to 4	Various	All
Information Management	GDPR – Led by Data Protection Officer (c/fwd from 2019/20). Support to the DPO across all Departments.	2 to 4	High	2

**Revised Audit Plan
(updated August 2020)**

Adult Social Care (ASC) & Public Health (PH):

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Service Change	Following consultation with the service on key areas of change, specific focused review(s) will be identified (advisory and/or Assurance).	TBC	TBC	4
Public Health	Local Outbreak Control Plan	1 to 2	High	4
	Test and Trace – review of process and expenditure	2 to 4	High	4
Social Care	Placements – Scope could include monitoring, support, contractual arrangements, payments.	4	High	1, 3, 4, 5
	Deprivation of Liberty Standards (cfwd 2019/20)	2	High	4, 5
	See also Financial Assessments (Finance & Resources Plan)			
Information Management, IT & Continuity of Systems	Service continuity arrangements (IT and/or non-IT)	3	High	2

Children’s Services:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Service Change	Following consultation with the service on key areas of change, specific focused review(s) will be identified (advisory and/or Assurance).	TBC	TBC	4
Information Management, IT & Continuity of Systems	Implementation of replacement system (support) – Data Quality and Process	2 to 4	High	2, 3
	Service continuity arrangements (IT and/or non-IT)	3	High	2
Family Services, Safeguarding Social Work	Assurance on Supporting People claims	1 to 4	High	1, 2
Contract Management	SEND Transport – changes due to Covid-19 (Supplier relief, shape of service going forward)	3	High	1, 3, 4
	RBKC only Youth Services (c/fwd 2019/20) – impact of Covid 19			

**Revised Audit Plan
(updated August 2020)**

Schools:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Service Change	SEN Charging (c/fwd 2019/20) – transfer of process to schools. To be included in schools audit programme for the schools identified below.	2 to 4	Medium	1, 4
Targeted Reviews:	Schools identified for audit in 2020/21: <ul style="list-style-type: none"> • College Park Special School • QEII Special School • Soho Parish School • St Peter's Eaton Square Primary School • St Stephen's CE Primary School • Edward Wilson Primary School • St Saviour's Primary School • Robinsfield Primary School 	2 to 4	Medium	1, 5
Thematic Reviews:	Undertake thematic reviews across the school population to review compliance. Potential areas to include: <ul style="list-style-type: none"> • Health & Safety • GDPR & IT Security 	3	High	1, 2, 5

Finance & Resources:

Finance Related Audits:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Financial Management	Treasury Management	2 to 3	High	1
Financial management system	To include: <ul style="list-style-type: none"> • Assurances provided by the IBC on the adequacy of security and controls within the HR, Payroll and Finance systems; • Effectiveness of controls and compliance with these controls across all Council services in respect of budgetary control, accounts payable, accounts receivable, income management, debt management etc. 	1 to 4	High	1, 5
Revenues & Benefits	Cyclical programme of audits as agreed with the Director of Finance & Resources. To supplement not duplicate work undertaken by external audit covering, taking into account Covid-19 issues: <ul style="list-style-type: none"> • Council Tax; Housing Benefit; NNDR. 	3	Medium	1, 4, 5

**Revised Audit Plan
(updated August 2020)**

Property Related Audits:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Service Change	<p>Property Services moved from GPH to Finance and Resources in 2018/19 and the Facilities Management responsibilities transferred back to the Council. Areas for audit consideration include:</p> <ul style="list-style-type: none"> • Corporate Landlord Model (Project); • Provision of property services to voluntary and community sector (project); • Review of property management systems information (project); • Health and Safety compliance. 	3 to 4	High	1, 4, 5

IT Related Audits:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Information Management & Continuity of Systems	Data Leakage/ privacy/ cyber breach (impact on working of Covid-19)	2 to 3	High	2, 4
	Projects/ Programmes	3	High	2, 4
	Asset Management (incl. starters and leavers)	3 to 4	Medium	2, 4

Procurement Related Audits:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Procurement - Governance	Arrangements in place for the appropriate governance and management of procurement. This would be focused on the work undertaken within the Procurement Team (compliance with procedures and governance arrangements for a sample of individual procurements will be reviewed across the Departments).	3 to 4	High	1, 3, 4, 5
Programme/ Project Management/ New Systems	Placeholder. Any programme or project involvement will be identified as required.	TBC	TBC	1, 4, 5

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People Services

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Payroll	To include effectiveness of controls and compliance with these controls across all Council services in respect of payroll and HR systems including: <ul style="list-style-type: none"> • Pay and allowances; • Sickness & absence management; • Starters and leavers process compliance 	1 to 4	High	1, 5
Learning & Development Tools	Review of new system, controls, compliance and reporting	3	High	5
Cyclical Compliance and/ or establishment reviews	To consider a programme of reviews covering areas such as: <ul style="list-style-type: none"> • Pension Administration • Apprenticeships • Induction process 	1 to 4	Medium	1, 5

Legal Services:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Cyclical Compliance	Audits could include: <ul style="list-style-type: none"> • Provision of external legal services; • Charging for services 	TBC	TBC	1, 5

Innovation & Change:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Service Change	Change - impact on governance and controls – Advisory or Assurance	TBC	TBC	4
Strategy & Intelligence	Risk Management – see Cross-Service section of the Plan			

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Growth, Planning & Housing:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Service Change	Following consultation with the service on key areas of change and/or major projects, specific focused review(s) will be identified (advisory and/or Assurance).	TBC	TBC	4
Housing Management – Cyclical Reviews	Health & Safety Compliance (gas, electricity, asbestos, legionella)	2 to 3	High	5
	Resident Managed Halls (Lillington & Longmore) - Governance	2	High	1, 4, 5
	Review of Halls (scope TBC)	3	Medium	1, 4, 5
	Major Works – Lessee and Service Charges (charging process)	4	High	1, 4, 5
Development	Capital Programme – Phase three of review (previous phases completed in 2019/20).	2 to 3	High	4, 5
Regeneration & Economic Development	Apprenticeships & Traineeships in Social Value and S106 (c/fwd 2019/20)	2 to 3	Medium	1, 3, 5

Environment & City Management:

Type of Review:	Potential Audit Coverage:	Quarter	Priority	Risk Ref
Impact of Covid-19 - Service Delivery, Governance, Income, Contract Management	Linked to Renewal. Potential for inclusion in Community Services Working Group and identify potential advisory or assurance work to support the service during the period of change due to Covid-19.	2 to 3	High	1, 3, 4, 5
Service Change - Public Realm	External funding & processes with stakeholders in transition.	3 to 4	High	1, 4, 5
Cyclical Reviews – Public Protection & Licensing	Corporate Health & Safety (c/fwd from 2019/20)	3	High	5
	Contingency Planning (c/fwd from 2019/20) – to consider response to Covid-19	3 to 4	High	4, 5

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4. Risks identified from the Council’s Risk Registers

The risks identified from the Council’s Risk Registers are summarised below and linked to the associated City or All (CFA) Priorities. Where possible, identified risks will be shown against audits in the plan.

Risk Ref	Risk Description and Link to City for All Priority
1.	Financial (CFA 2, 3 and 5): <ul style="list-style-type: none"> • pressures resulting from increase in demand for services, reduced funding or predicted income, slowdown in the economy and inflationary pressures.
2.	Information Management and Continuity of Systems (CFA1): <ul style="list-style-type: none"> • Management of information in compliance with the requirements of GDPR and minimising the risk of loss of information or inappropriate disclosure; • Weaknesses in Information Governance structures could result in data breaches or accidental loss of key information; • Loss of systems due to either systems failure or cyber- attack; • Strong security hygiene policies and user awareness; • IT Health Checks and compliance.
3.	Procurement and Management of Suppliers (CFA 2 and 3): <ul style="list-style-type: none"> • Compliance with Standing Orders, the Procurement Code and regulatory framework for procurement to minimise the risk of provider challenge; • Weak supplier resilience which could result in supplier bankruptcy or other service failure; • Effective management of contracts to ensure deliverables are received and value for money achieved.
4.	Impact of change (CFA 1, 2, 3, and 5): <ul style="list-style-type: none"> • Another Covid-19 outbreak in Westminster and neighbouring boroughs (or other infectious disease); • Failure in service continuity/ safeguarding arrangements arising from changes in service arrangements; • Embedding new ways of working; • Brexit and how it will affect the Council and local economy.
5.	General (CFA 1, 2, 3, 4 and 5): <ul style="list-style-type: none"> • Maintaining appropriate and effective governance and high ethical standards by all staff and Council Members; • Ensure compliance with statutory requirements and provide a safe environment for staff, residents and visitors; • Effectiveness of partnership arrangements.

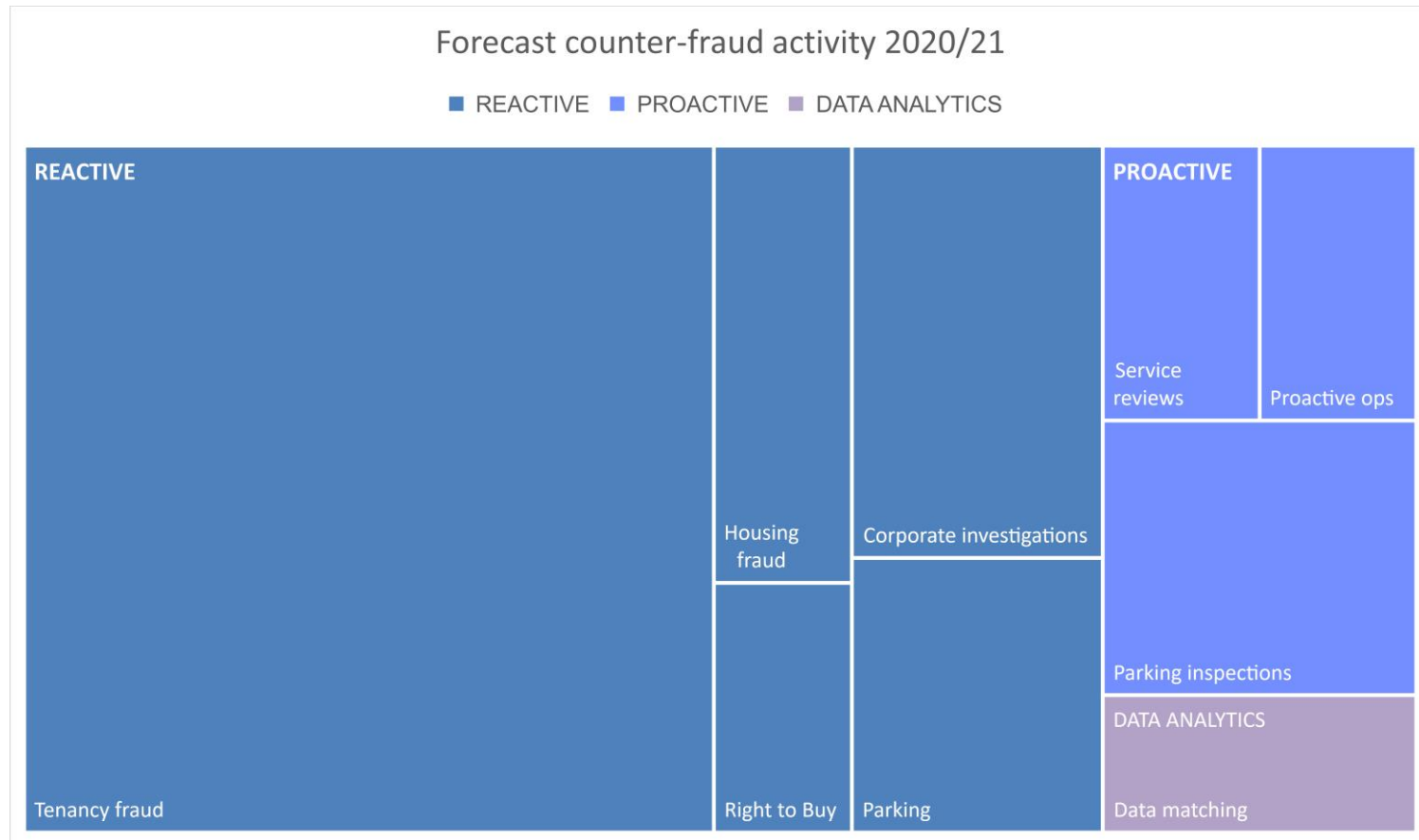
City for All (CFA) priorities:

- CFA1 City of Opportunities;
- CFA2 Excellent Local Services;
- CFA3 Caring and Fairer City;
- CFA4 Healthier and Greener City;
- CFA5 City that Celebrates its Communities.

Revised Audit Plan (updated August 2020)

5. Corporate Anti-Fraud Service

5.1 The work undertaken by the Corporate Anti-Fraud Service (CAFS) complements the work of Internal Audit and provides additional assurance to the Council that fraud risks are being managed effectively. Reactive and proactive work is planned during 2020/21 by CAFS in the following areas:



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(updated August 2020)**

5.2 The table below shows the different areas of CAFS activity planned during 2020/21 together with an **estimate** of the resources planned against each activity:

Anticipated reactive referrals (days)	
Tenancy fraud	550
Right to Buy	40
Housing fraud	70
Corporate investigations	120
Parking	80
Proactive activity (days)	
Service reviews (fraudits)	50
Proactive operations	50
Parking inspections	100
Data analytics (days)	
Data matching	50
Total days allocated	1,110