

Audit and Performance Committee Report

Date:	17 February 2021
Classification:	General Release
Title:	Internal Audit Plan 2021/22
Wards Affected:	All
City for All Summary	Internal audit provides assurance to the Council that it has robust systems and controls in place to meet its priorities.
Financial Summary:	There are no financial implications arising from this report.
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1. Executive Summary

- 1.1 The Strategic Audit Plan has been reviewed to document significant, persistent risks that the Council faces and the business areas to be covered over a five-year period. The Strategic Plan will support the annual planning process and ensure that internal audit continues to provide assurance over the breadth of the Council's operations.
- 1.2 The Plan has been prepared following consultation with Directors and takes into account the Council's corporate risks and priorities.
- 1.3 To ensure that the Annual Audit Plan is more responsive to changing risks and challenges, it has been developed as a '3 plus 9- month' plan. This approach allows for the first three months to be identified in detail with the remaining nine months being more flexible to suit the needs of the Council

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

2. Recommendations

- 2.1 The Committee review the draft Strategic Audit Plan as set out in Appendix A and consider whether it covers the persistent risks that the Council faces and outlines the business areas or themes that need to be considered as part of a five-year plan?
- 2.2 The Committee review the draft of the Annual Audit Plan as set out in Appendix B, and comment on the audit work due to be undertaken in the first quarter of 2021/22 and identify any specific audits to be considered during the coming year.

3. Reasons for Decision

- 3.1 The Strategic and Annual Audit Plans are compiled by the Shared Services Director for Audit, Fraud, Risk and Insurance, taking account of the Council's risk framework and following discussions with stakeholders, including senior managers. The Annual Audit Plan is subject to review by the Council's Executive Leadership Team and is reported to the Audit & Performance Committee for noting and comment.

4. Background, including Policy Context

- 4.1 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 team or by the external contractors to the service, in accordance with the Internal Audit Charter. Internal Audit is required to provide the S151 Officer, the Executive Leadership Team and the Audit & Performance Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. The Audit & Performance Committee are provided with updates at each meeting on the progress and outcomes from the internal audit work completed in the period.
- 4.2 A primary role of internal audit is to provide assurance that that the Council has robust systems of governance and control in place to achieve its priorities and meet its statutory responsibilities. The Council's internal and external environment continues to evolve and the way in which the Internal Audit Service is delivered must change to keep pace with this. The traditional audit approach of planning a full year of audits in advance has become unsuitable as the original plan fails to keep pace with the organisation's needs.
- 4.3 As a result we are implementing the following changes to the way in which we deliver the Internal Audit Service:
 - A Strategic Audit Plan is being developed which documents the significant, persistent risks that the Council faces and outlining, in broad terms, themes to be covered over a three to five-year period.

This will help to ensure that internal audit does not become a purely reactive function. A draft of the Strategic Audit Plan is attached as Appendix A;

- We will work with a '3 plus 9' Annual Audit Plan – planning out the next three months in detail, taking into account key risks and priorities, whilst keeping the remaining nine months more flexible. The plan will then be revisited each quarter to confirm the following quarter's work and will include sufficient audit coverage to enable an overall annual opinion to be reached on the Council's control framework;
- New reporting formats will be developed which are more appropriate to the work being undertaken, such as succinct reports for short/focused reviews;
- The option of faster paced audit work, through more focused coverage or less formal reporting, will be available where the traditional approach would not provide assurance as quickly as needed; and
- We will seek to increase attendance on 'working groups' where real time input to projects and initiatives would be useful.

4.4 The draft '3 plus 9' Internal Audit Plan for 2021/22 is attached as Appendix B to this report. It should be noted that this plan is an early draft, intended to focus on the work planned in the first quarter of 2021/22 and some changes may be required once all of the audit planning meetings have been held.

5. Financial Implications

5.1 There are no financial implications arising from this report.

6. Legal Implications

6.1 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.

6.2 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 consideration public sector internal auditing standards or guidance.

6.3 There are no legal implications arising from this report.

7. Staffing Implications

7.1 There are no staffing implications arising from this report.

8. Consultation

- 8.1 For the new approach to be successful the Internal Audit Service require ongoing engagement with Departments throughout the year to identify and scope audits and more frequent discussions regarding emerging and changing risks and priorities. We have already undertaken a number of planning meetings with the Council's Senior Management Teams who are supportive of the changes to the way we will deliver our work during the coming year.

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 Planning Files

Risk Registers

Draft Strategic Internal Audit Plan

The Strategic Audit Plan sets out the medium-term direction of the Internal Audit service. This five-year plan outlines the priorities of the service and how Internal Audit can continue to provide an adequate level of assurance whilst taking account resource limitations and the changing risk landscape.

The Strategic Plan is supported by the Audit Charter, which sets out the roles and responsibilities of Internal Audit, and the Annual Audit Plan which outlines the internal audit work which will be undertaken each year.

All Local Authorities have faced significant financial reductions in recent years and increasing demand for services. All Council services have seen a reduction in the resource available to them and this in turn has an impact on the control environment. In addition, local authorities are taking more risks as they explore innovative solutions in order to bridge the funding gap and transform the organisation. It is important that the Internal Audit service continues to evolve to ensure that it remains an effective assurance provider.

This Strategic Audit Plan has been prepared to document significant, persistent risks that the Council faces and outlines, in broad terms, themes to be covered. The intention of the five-year period of this plan is to ensure that, in becoming more agile, internal audit does not become a purely reactive function and continues to provide assurance over the entire breadth of the Council’s operations.

The Strategic Audit Plan will be aligned where possible to the Council’s priorities, as identified in their City for All Vision and Strategy.

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

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

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

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

Strategic Risks

The risks that could impact on the sustainability and delivery of the Council's statutory and non-statutory services and operations are considered to be of strategic significance. At the time of preparing the Audit Plan the Council's Strategic Risks are identified as:

Number	Risk	Department
1	Subsequent health protection incidents could compound the impact of Covid-19 and hinder the local response.	Public Health
2	The Council fails to meet its safeguarding responsibilities for a child, young person or adult.	Adult Social Care and Children's Services
3	Financial pressures resulting in an inability to fund services for residents, businesses and visitors.	Finance and Resources
4	Serious information or cyber security incident due to data breach, malware outbreak, phishing, ransomware attack.	Finance and Resources
5	Failure of a major contract or an inability to secure alternative provision resulting in the Council being unable to provide services or meet its statutory obligations.	Finance and Resources
6	A significant incident occurring in Westminster (e.g. weather event, fire, terror attack, etc).	Environment and City Management
7	The impact of Brexit on Council services and communities across Westminster.	Environment and City Management

Draft Annual Plan - 2021/22

The Annual Internal Audit Plan for 2021/22 is presented in two parts: the three months of the year where we have identified a number of audits to be undertaken; and the remaining 9 months where planning is more flexible.

To achieve this, we have increased engagement with Management Teams to:

- Become more involved in risk discussions throughout the year, to better understand the risk environment and alternative sources of assurance available;
- Firm up the scope and timing of the following quarter's audit work; and
- Identify other areas for internal audit involvement not yet considered in the Annual Audit Plan.

Where possible the Plan is aligned to the Council's strategic risks and identified audits have been prioritised (High, Medium or Low). However, it should be noted that the Council's strategic risks and priorities may change during the year and the Plan will be updated as appropriate. The Plan will be presented to the Executive Management Teams and Audit and Performance Committee at the start of the financial year and will then be presented every quarter. The delivery of the plan helps to create a culture of accountability, ensures that risk management processes are embedded and contributes to the Council's governance framework.

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

Corporate Anti-Fraud Service (CAFS) – Quarter 1 2021/22

In quarter one of 2021/22, the majority of CAFS activities will focus on the National Fraud Initiative (NFI).

The NFI is a biennial, mandatory, data matching exercise which all UK local authorities must participate in. The aim of the exercise is to identify possible cases of fraud, error and overpayments within public bodies, e.g. local authorities, central government, the NHS.

The last exercise generated over 9,000 matches and similar numbers are again expected this year. There is no requirement for all matches to be investigated, but to assist with the prioritisation of investigation, matches were categorised high, medium or low risk.

During the last exercise, investigation work cleared over 3,700 matches, identified more than 400 anomalies, identified seven instances of fraud and recorded a financial saving of over £165,000.

Draft Internal Audit Plan - Quarter 1 2021/22

Department	Review	Potential Coverage	Strategic Risk*	Priority (H/M/L)
Cross-Cutting	S113 Agreements	Process for ensuring review and agreement is taking place at the appropriate level. (ASC, CHS, Finance & Resources)	n/a	M
Adult Social Care	Direct Payments	Assistance with improvements to address previously identified control weaknesses.	2	H
Adult Social Care	Debt Management	Review of processes in place to ensure that debt is minimised and managed effectively	2, 3	H
Adult Social Care – PH	Covid Grant Funding	Dependent on timing of returns & reviews done in 2020/21.	1, 3	H
Children's Services	Case Management System	Advice on internal audit controls in replacement system. Ongoing assurance on procurement if required.	2	M
Children's Services	Integration of operational & financial systems	Alignment of financial information and reporting. Potential to compare and contrast across WCC and RBKC.	2	H
Children's Services	SEN High Value Placements	To discuss further with the service.	2, 3	H
Children's Services	Purchase Cards	To consider work undertaken within finance and identify where additional review could provide benefits.	2	M
Children's Services	Placements	Shared Services Placements Team – Assurance on processes and controls.	2, 3	H
Children's Services	Payments & Direct Payments	Shared Services Payments and Direct Payments Team – Assurance on processes and controls.	2, 3	H
Children's Services - Schools	Schools to be confirmed	Financial control and governance review.	2	M
Environment & City Management	PPL Transformation	Advisory support during transformation programme.	n/a	H

Appendix B

Department	Review	Potential Coverage	Strategic Risk*	Priority (H/M/L)
Environment & City Management	Procurement	Role of the Procurement Board.	5	M
Finance & Resources – Information Systems	Projects & Programmes	Effective management of pipeline of projects and programmes (carried forward from 2020/21) and identified as priority for 2021/22.	tbc	H
Finance & Resources	NNDR	Cyclical review deferred from 2020/21 to include additional assurance areas where appropriate.	3	H
Growth, Planning & Housing	Northgate	Procurement and Implementation . Possible start in Q1 but potential to be ongoing during the year.	n/a	H
Growth, Planning & Housing	Major Works Contracts	Reduction in providers. Impact and action required. Possible start in Q1 but potential to be ongoing during the year.	5	H
Growth, Planning & Housing	Rough Sleeping	Changes required to process. Possible start in Q1 but potential to be ongoing during the year.	2, 3	M
Growth, Planning & Housing	Apprenticeships	Deferred in 2020/21 due to Covid-19.	n/a	M
Growth, Planning & Housing	Social Value Commitments	To be considered post current S106 review on employment and skills commitments – may be lessons learnt from current review.	n/a	H
Growth, Planning & Housing	Standardisation	To consider any potential for similar tasks to be standardised across the service.	n/a	M

*The Council's current strategic risks are detailed at the end of Appendix A (Strategic Internal Audit Plan). These will be reviewed and updated during the year as appropriate.

Draft Internal Audit Plan – Quarters 2 to 4 2021/22

Department	Review	Potential Coverage	Strategic Risk*	Priority (H/M/L)
Cross-Cutting	Governance	Understanding and mapping of governance arrangements: <ul style="list-style-type: none"> • Panels, Boards and Working Groups • Delegated authority 	n/a	H
Cross-Cutting	Governance & Compliance	Compliance with expected standards: <ul style="list-style-type: none"> • Declarations of Interest • Gifts & Hospitality • Business Continuity • Risk Management 	6 All	M M H M
Adult Social Care	Covid-19 Inequalities	To discuss further with the service.	1	H
Adult Social Care	Quality Assurance	Review existing processes in place and information from other sources of assurance.	2	H
Children's Services	Libraries Income	Diversity of income streams (deferred from 2020/21)	3	M
Children's Services	Registrar Service	To discuss further with the service (deferred from 2020/21)	3	M
Children's Services - Schools	Schools to be confirmed	Financial control and governance review.	2	M
Environment & City Management	Uniform	Advice & support on changes to business-critical software. Ongoing assurance if required.	5	H
Finance & Resources – Information Systems	Other – to be confirmed	To be further discussed with the service to identify	tbc	tbc
Finance & Resources	Key Financial Controls Testing	Annual programme of testing	3	H
Finance & Resources	Council Tax	Cyclical Review	3	H
Finance & Resources	Housing Benefits	Cyclical Review	3	H

Appendix B

Department	Review	Potential Coverage	Strategic Risk*	Priority (H/M/L)
Finance & Resources	Wholly Owned Companies	Revisit following governance review in 2020/21 to provide re-assurance on changes to arrangements.	3	H
Finance & Resources	Property Services	To be discussed further with the service	3	H
Finance & Resources	Commercial Partnerships	To be discussed further with the service. Work could relate to procurement, contract management, performance management, reporting and likely to be cross-cutting.	3	H
Finance & Resources – Legal Services	Lexcel Certification	Critical friend as part of preparation for certification process.	n/a	M
Finance & Resources – Legal Services	FOI/SARs and Data Breaches	Cyclical review – previously limited assurance.	4	H
People Services	Key Payroll Testing	Annual programme of testing. To include leavers processing, salary overpayments.	n/a	H
People Services	Cyclical review	To be discussed with the service. Could include, induction process, apprenticeships (use of levy), recruitment and likely to be cross-cutting.	n/a	M
People Services / Finance & Resources	Pensions Administration	Changes to provision – to be discussed with the service on timing to be post migration.	n/a	H
Growth, Planning & Housing	Building Control	Implementation of changes in legislation	n/a	H
Growth, Planning & Housing	Housing Health & Safety	Cyclical review of compliance with H& S requirements (areas to be confirmed)	n/a	H
Innovation & Change	Transformation Governance	To be discussed with the service.	tbc	H
Innovation & Change	Performance Reporting	Effectiveness. Measurement in line with key priorities & outcomes.	tbc	H