

**City of Westminster**

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	14 July 2021
Classification:	For General Release
Title:	Annual Report on Internal Audit and Internal Control - 2020/21
Wards Affected:	All
Key Decision:	No
Financial Summary:	There are no financial implications arising from this report
Report of:	Director for Audit, Fraud, Risk and Insurance
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1. Executive Summary

- 1.1 This report summarises the work of Internal Audit in 2020/21, including an update on work completed since the previous report to the Committee, and provides the audit opinion of the Shared Services 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 Westminster City Council and is used to support its Annual Governance Statement.
- 1.2 From the Internal Audit work undertaken in the financial year 2020/21, reasonable assurance can be provided that systems of internal control in place are effective with 95% of the audits undertaken receiving a positive (substantial or satisfactory) assurance opinion.
- 1.3 In all areas where control improvements are required and compliance with agreed systems could be improved, action plans are in place to remedy the weaknesses identified. These will be followed up by the internal audit team until they are completed.

1.4 The Council was found to be effective, in most areas, at implementing recommendations where concerns in respect of controls were identified.

1.5 Appendices to this report are as follows:

- Appendix 1 Audits completed with assurance opinions, audits still in progress and changes made to the 2020/21 Internal Audit Plan.
- Appendix 2 A summary of Internal Audit outcomes since the last report to Committee.

2. Recommendation

The Committee consider and comment on the results of the internal audit work carried out during 2020/21.

3. Background, including Policy Context

3.1 The Audit and Accounts Regulations 2015 require the Council to conduct a review of effectiveness of the system of internal control. The in-house internal audit team is supplemented by resources from Mazars LLP under a Framework arrangement with the London Borough of Croydon and PwC under a Framework arrangement with the London Borough of Barnet.

3.2 Detailed reports on the performance and outcomes of the internal Audit work undertaken, have been presented quarterly to the Audit & Performance Committee during 2020/21, with a further update provided in Appendix 2 to this report for recently completed reviews.

3.3 Wherever possible, when planned audits had to be postponed, alternative audit work was identified or alternative sources of assurance are sought. Due to the Covid-19 pandemic, there was some delay to the start of the audit work for 2020/21 and some of the audits originally planned to be delivered could not be started until late in the final quarter of the year and these are shown as in progress in Appendix 1. Other audits were deferred in agreement with the service and these are also shown in Appendix 1. Internal audit also undertook some additional work to support the Council in their response to the pandemic. 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 Director's Assurance Statements which were completed at the end of the financial year.

3.4 The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). During 2020/21 the Internal Audit Service undertook a self-assessment to verify PSIAS compliance which has identified general compliance with the Standards. Some improvements in reporting and planning have been identified which are being implemented in 2021/22.

4. Internal Audit Opinion

- 4.1 As the provider of the internal audit service to Westminster City Council, the Shared Services Director for Audit, Fraud, Risk and Insurance is required to provide the Section 151 Officer and the Audit & Performance 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.
- 4.2 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 the limited assurance audit which was reported to the Committee in December 2020. This is a positive opinion which means that the Council generally has effective internal control systems with 95% of audits receiving a positive (substantial or satisfactory) assurance opinion (83% 2019/20).
- 4.3 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.
- 4.4 Follow up reviews confirmed that the implementation of medium and high priority recommendations has been consistently effective although there have been delays in achieving full implementation in some areas, and we continue to monitor this.
- 4.5 Issues arising from Internal Audit work which have significant implications for the Council's control assurance framework have been included in the Annual Governance Statement which is reported separately to this Committee. The monitoring process in respect of the Annual Governance Statement also ensures that follow up action is taken to remedy the key control weaknesses found.
- 4.6 There were some areas where improvements in compliance with controls were needed with one audit being designated as "limited assurance", namely:

Service Area	Audit	Reported to Committee
Adult Social Care	Direct Payments	December 2020

It should be noted that an interim follow-up review in this area was undertaken in February 2021 where good progress was being made to implement the recommendations with a further follow-up being undertaken in June 2021.

4.7 Hants CC Managed Services (Finance, HR & Payroll)

- 4.7.1 The Council's Finance, HR and Payroll systems are provided by the Integrated Business Centre (IBC) within Hampshire County Council (HCC). During 2020/21, 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 was provided to the Executive Director of Finance and Resources and provided reasonable assurance that the control objectives would be achieved.
- 4.7.2 In addition to the assurances provided by HCC, Internal Audit have been reviewing compliance across the Council with the local controls in respect of Finance, HR and Payroll processes. Compliance with local controls and policies in respect of Finance actions is generally considered to be good. The testing of HR/payroll related compliance is ongoing and where issues of non-compliance with Council policies are identified, these are discussed with HR as they are identified.

4.8 Schools Audit Work

In addition to full audits at eight schools, two surveys were undertaken to provide a quick assessment of the health & safety and IT/ GDPR processes in the Council's maintained and voluntary schools. The responses to these surveys provided some assurance that the schools had appropriate controls in place in respect of how they manage these areas. The outcomes from these surveys will be discussed the schools service, the Council's lead officer for Health & Safety and the Data Protection Officer to consider areas where improvements could be made and shared across the schools.

5. Assurance on Risk Management

- 5.1 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 the best use of its resources (money, assets, people). To ensure that outcomes are achieved for residents, businesses and visitors, the Council has adopted recognised best practice in the identification, evaluation and control of risks and issues to ensure that they are managed at acceptable levels. The risk management process has clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.
- 5.2 Risk and issue management are aligned to the Council's business planning, financial management, transformation activities and performance management processes to ensure that it is a live process. A combination of strategic and operational registers is used to ensure that risks and issues are captured and addressed in an integrated

way and the Executive Leadership Team reviews the Council's strategic risks on a regular basis.

- 5.3 The Audit and Performance Committee receives regular reports on achievements against the Council's 'City for All' commitments, key performance indicators and risks. In areas of concern, Directors are requested to provide additional information to the Committee and during the financial year 2020-21, the following were reported:
- Housing Service Updates (September 2020 and March 2021).
 - Early Years Immunisations Programme in Westminster (September 2020).
 - Procurement summary, contracts review including procurement of the minibus contract for Children's Services (September 2020).
 - ISOS Partnership Review of Westminster Schools (December 2020).
 - UK Local Authority Credit Risk (March 2021).

6. Assurance on Corporate Governance Arrangements

- 6.1 To Support the Annual Governance Statement, all Council directors are required to complete an annual Director's Assurance Statement which covers their arrangement for managing risk, performance and statutory/policy compliance in their areas or responsibility.
- 6.2 In addition, from the work undertaken by Internal Audit, the Council's corporate governance framework is considered to comply with the best practice guidance on corporate governance issued by CIPFA/Solace.

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 Reports;
Committee Progress Reports

Internal Audit Plan – 2020/21

Audits completed in 2020/21

Plan Area	Auditable Area	Issued	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Cttee
Cross cutting	GDPR – Support Workstreams	Mar-2021	Advisory	0	12	0	Jul-2021
	Digital Accessibility - overview	n/a	n/a	n/a	n/a	n/a	Jul-2021
	Procurement Cards	Mar-2021	Satisfactory	0	3	4	Jul-2021
	Finance, HR and Payroll Compliance	ongoing	n/a	0	0	0	Jul-2021
Adult Social Care & Public Health	Direct Payments (cfwd 2019/20)	Oct-2020	Limited	3	5	5	Dec-2020
	Deprivation of Liberty Safeguards (cfwd 2019/20)	Jun-2020	Advisory	2	7	0	Mar-2021
	Financial assessments	Feb-2021	Advisory	0	5	2	Jul-2021
Children's Services	Supporting Families Claims	ongoing	n/a	n/a	n/a	n/a	Jul-2021
Schools	Soho Parish Primary	Nov-2020	Satisfactory	0	3	4	Mar-2021
	St Stephen's Primary	Dec-2020	Satisfactory	0	2	4	Mar-2021
	Edward Wilson Primary	Jan-2021	Satisfactory	0	1	2	Mar-2021
	College Park	Mar-2021	Substantial	0	1	2	Jul-2021
	QEII	Mar-2021	Substantial	0	0	4	Jul-2021
	St Saviour's Primary	Jun-2021	Satisfactory	0	3	3	Jul-2021
	Thematic Reviews – Health & Safety and IT / GDPR	Mar-2021	Advisory	n/a	n/a	n/a	Jul-2021
Finance & Resources	Contract Expenditure Controls	Aug-2020	Advisory	0	5	0	Mar-2021
	Income Compensation Claim 1 st Review	Mar-2021	Advisory	0	0	2	Mar-2021
	Income Compensation Claim 2nd Review	May-2021	Advisory	0	0	0	Jul-2021
	Housing Benefit	Apr-2021	Substantial	0	0	1	Jul-2021
	Council Tax	Apr-2021	Substantial	0	0	2	Jul-2021
	Emergency Active Travel Grant	Apr-2021	Advisory	n/a	n/a	n/a	Jul-2021
	Westminster Community Homes Governance	May-2021	Satisfactory	0	3	3	Jul-2021

Internal Audit Plan – 2020/21

Plan Area	Auditable Area	Issued	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Cttee
	Direct Debits (leaseholder charges)	Feb-2021	Advisory	0	2	0	Jul-2021
People Services	Learning Management System (LMS)	Mar-2021	Satisfactory	0	3	2	Jul-2021
Growth, Planning & Housing	Housing Emergency Planning	Nov-2020	Satisfactory	2	2	4	Mar-2021
	Procurement of Temporary Accommodation	Jan-2021	Satisfactory	0	1	0	Mar-2021
	Housing Health & Safety - Asbestos	May-2021	Satisfactory	0	3	2	Jul-2021
	Housing Health & Safety - Gas	May-2021	Satisfactory	0	1	1	Jul-2021
	Management of Community Halls	May-2021	Satisfactory	1	4	2	Jul-2021
	Resident Association – Lillington & Longmore Gardens Residents Association (LALGRA)	Mar-2021	Advisory	n/a	n/a	n/a	Jul-2021
	Capital Programme	Mar-2021	Advisory	2	10	1	Jul-2021
	Building Control Income	May-2021	Substantial	0	2	0	Jul-2021
	S106 Validation of Employment & Skills Commitments	Mar-2021	Advisory	0	3	0	Jul-2021
	Environment & City Management	Corporate Health & Safety – Covid Impact	Apr-2021	Satisfactory	0	1	0

Internal Audit Plan – 2020/21

Audit work in progress

Plan Area	Auditable Area	Status
Cross Cutting	Gifts & Hospitality	Ongoing assistance to update policy and system.
Adult Social Care & Public Health	Test & Trace & Community Testing Grant Expenditure	On-going and continuing into 2021/22.
Schools	St Peter's Eaton Square	Fieldwork complete and draft report being prepared.
	Robinsfield	Fieldwork complete and draft report being prepared.
Finance & Resources	Treasury Management	Fieldwork complete and draft report being prepared.
	Commercial Property Income (cfwd 2019/20)	Draft report issued, to be finalised.
Finance & Resources – Legal Services	Off Panel Spend	Liaising with the service to consider approach to analysis of data – ongoing into 2021/22.
Growth, Planning & Housing	Leaseholder Charges	Fieldwork in progress.
Environment & City Management	Trading Standards	Draft report issued.
	Food Safety	Draft report issued.

Changes to the 2020/21 Internal Audit Plan

The table below shows audits removed from the 2020/21 plan, following discussions with management, or deferred to a future year.

Plan Area	Auditable Area	Reason Audit not Undertaken
Cross-cutting	Business Continuity	New system recently implemented. To consider compliance review in 2021/22 once system embedded.
	Risk Management	Strategic review completed in 2020. To be considered for 2021/22.
	<ul style="list-style-type: none"> • Contract Management • Procurement 	Due to changes in Commercial Services deferred audits and work to be identified for inclusion in the 2021/22 plan.
Adult Social Care & Public Health	Placements	In consultation with the service agreed to defer for consideration in future plan.
	Mosaic Financial Controls	Background review of controls undertaken. Full audit not required in year.

Internal Audit Plan – 2020/21

Plan Area	Auditable Area	Reason Audit not Undertaken
Children's Services	External Placements	In consultation with the service agreed to defer for consideration in 2021/22 plan.
	Implementation of new IT system	Delay in progressing procurement so implementation delayed. To be considered in 2021/22 plan.
	SEND Transport	Recently reviewed and not a priority to be reviewed again.
	<ul style="list-style-type: none"> • Registrar Service • Libraries 	Not a priority in 2020/21 to review for possible inclusion in 2021/22 plan.
Finance & Resources	NNDR	Agreed with the service to defer due to Covid-19 pressures. Included in 2021/22 plan.
	Corporate Property related audits	Deferred to consider in a future year.
Finance & Resources - IT	<ul style="list-style-type: none"> • Supply Chain Management • Asset & Access Management • Projects/ Programmes 	<ul style="list-style-type: none"> • Review no longer required. • Agreed with the service to delay until Q1 2021/22. • Agreed with the service to consider in 2021/22.
Environment & City Management	Electric Vehicle Grants	No further work requested.
	Leisure Services	No further work requested.
	Public Realm external funding.	Not identified as a priority in year.

Internal Audit Plan 2020/21 – Final Progress Report

1. Executive Summary

- 1.1 The work carried out by the Council's Internal Audit Service in the reporting period found that, in the areas audited, internal control systems were generally effective with five substantial and eight satisfactory assurance reviews being issued in the period.
- 1.2 The follow up reviews completed in the period for seven audits confirmed that the implementation of recommendations has been effective with 93% of recommendations being fully or partly implemented at the time of review.

2. Audit Outcomes

- 2.1 Since the last report to Members, thirteen audits and two areas of on-going assurance have been completed, none of which identified any significant areas of concern:

Service Area	Audit	Assurance
Cross Cutting	Procurement Cards	Satisfactory
	Finance, HR & Payroll Compliance	Ongoing
Children's Services	Supporting People Claims	Ongoing
Schools	College Park School	Substantial
	QEII School	Substantial
	St Saviour's Primary School	Satisfactory
Finance & Resources	Housing Benefit	Substantial
	Council Tax	Substantial
Fin & Res and GPH	Westminster Community Homes (governance)	Satisfactory
People Services	Learning Management System	Satisfactory
Growth, Planning & Housing	Housing Health & Safety - Asbestos	Satisfactory
	Housing Health & Safety - Gas	Satisfactory
	Management of Community Halls	Satisfactory
	Building Control Income	Substantial
Environment & City Management	Corporate Health & Safety – Covid-19 Impact	Satisfactory

- 2.2 In addition, ten advisory reviews have been undertaken in the following areas:
- GDPR Supporting Workstreams
 - Digital Accessibility Overview
 - Financial Assessments (Adult Social Care)
 - Schools Thematic Reviews (Health & Safety and IT/ GDPR – see paragraph 2.3 below)
 - Direct Debit (leaseholder payments)
 - Income Compensation 2nd Review
 - Emergency Active Travel Grant Review
 - Resident Association Assistance (LALGRA)
 - Capital Programme (Growth, Planning & Housing)
 - S106 – Validation of Employment & Skills Undertakings (Growth, Planning & Housing)

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

Internal Audit Plan 2020/21 – Final Progress Report

2.3 Schools Thematic Reviews (budgetary control & procurement)

Two surveys were undertaken in the year to provide a quick assessment of the health & safety and IT/ GDPR processes of the schools. Surveys were issued to all community, voluntary aided and nursery schools with 10 responses received in respect of health & safety and 11 in respect of IT/ GDPR.

The key themes arising from the responses received are summarised below:

Health & Safety

- **Policies & procedures:** only one school had all of the six core H&S policies outlined in the survey. We recommend sharing the policies in existence at other schools to provide them a base to work from.
- **Wellbeing policy:** 40% of schools did not have a wellbeing policy, we recommend sharing the policies in existence at other schools to provide them a base to work from.
- **Frequency of training:** schools do not appear to have consistent refresher training periods. We recommend setting a requirement for this frequency to ensure working practices remain current.
- **Training records:** not all schools are currently maintaining training records, we recommend reaching out to those that do not to assist in amending this.
- **Risk assessments:** not all schools perform risk assessments this should be a minimum requirement.
- **Lessons learned:** not all of the schools perform lessons learnt exercises after an incident, this is best practice in all industries.
- **Reporting of child injury incidents:** based on the significant range of responses, there is a clear inconsistency between schools in respect of the conditions that require a 'child injury incident' to be reported. We recommend clarifying the minimum criteria for this, some schools report every time a child falls over in the playground.

The outcomes of the survey will be discussed with the Council's lead officer for Health & Safety to see where support can be provided to the schools.

IT & GDPR

- **Policies & procedures:** only two schools had all of the 15 core IT policies outlined in the survey. We recommend sharing the policies in existence at other schools to provide them a base to work from.
- **Policy review:** schools do not appear to be reviewing policies on a frequent enough basis, with most not reviewed in the last 12 months.
- **Remote-working policy:** not all of the schools have a policy for working outside of the school, these should be created to reflect current ways of working.
- **Training records:** not all schools are currently maintaining training records, we recommend reaching out to those that do not to assist in amending this. Additionally, IT training should be mandatory within each school.
- **Impact assessments:** not all schools perform data protection impact assessments this should be a minimum requirement.
- **External regulatory IT consultancy:** leverage centralised purchasing power from the Council to deliver GDPR-compliance style changes in the future.

The outcomes of the survey will be discussed with the Schools Governance Team and the Council's Data Protection Officer to see where support can be provided to the schools.

Internal Audit Plan 2020/21 – Final Progress Report

2.4 Implementation of Audit Recommendations

Seven follow-up reviews were undertaken in the period which confirmed that the implementation of recommendations has been effective with 93% of recommendations being fully or partly implemented at the time of review.

Audit	No of Recs Made			No of Recs Implemented			No of Recs In Progress			No of Recs not yet actioned		
IT - Cyber Security	9			5			4			0		
ASC – Direct Payments*	13			2			7			4		
GPH & Fin - Complaints	9			7			2			0		
ECM – Cemeteries (2 nd follow up)	5			3			2			0		
Legal Services/ IT - FOI & SARs	4			4			0			0		
ASC – Client Affairs (2 nd follow up)	9			7			2			0		
Finance – Contract Expenditure Controls	5			0			5			0		
Total	54			28			22			4		
Priority of recommendations	H	M	L	H	M	L	H	M	L	H	M	L
	10	34	10	5	19	4	4	14	40	1	1	20

*A second follow up in this area is in progress as some recommendations need time to become embedded.

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.