

Audit and Performance Committee Report

Date:	16 February 2022
Classification:	General Release
Title:	Internal Audit Progress Report (December 2021 to January 2022)
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 This report summarises the work of Internal Audit in the period December 2021 to January 2022. Seven audits have been finalised with a further four issued as draft reports. Although no overall opinion is given at this time on the adequacy and effectiveness of the Council's governance, risk management and controls, the Committee can be assured that sufficient internal audit work is planned to ensure an appropriate assurance opinion can be provided by the end of the financial year.
- 1.2 **Appendix 1** shows the finalised audits as at the end of January 2022 and the status of the remaining planned audits.

2. Recommendation

That the Committee consider and comment on the results of the internal audit work carried out during the period.

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

- 4.1 The Committee are provided with updates at each meeting on progress against the Annual Audit Plan and on any limited or no assurance audits issued in the period.
- 4.2 The Audit Plan for 2021/22 was reviewed by the Committee in March 2021. 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 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 quarterly basis and any significant changes in the coverage of the Plan will be highlighted.

Internal Audit Outcomes (December 2021 to January 2022)

- 4.3 Since the last report to the Committee seven audits have been completed:

Audit	Assurance	RAG
CHS – Direct Payments & Payments Team	Limited	Amber
Hallfield Primary School*	Substantial	Green
Hampden Gurney Primary School*	Substantial	Green
St Gabriel's Primary School*	Substantial	Green
F&R – Treasury Management*	Substantial	Green
GPH - Lessee Charges (cfwd 2020/21)*	Satisfactory	Green
ECM – Sayers Croft Outdoor Learning Centre	Limited	Amber

*Further information on these audits is contained in Appendix 2.

In addition, one advisory report has been issued in respect of the Council's IT Asset and Access Management processes.

- 4.4 Four audits have been issued as draft reports and are due to be finalised shortly.

Children's Services – Direct Payments & Payments Team (Amber)

- 4.5 A Direct Payment (DP) is a sum offered to families by the Council to purchase their own support package in lieu of services which would otherwise be commissioned by the Council on behalf of the children. The benefit of offering this service is it gives increased independence, greater choice, and control as to how and when support is provided. The Council has a duty to provide DP under the Short Breaks Regulations 2011. The Disabled Children's Service offers short breaks, respite care and access to play for families caring for a disabled child and disabled children living in the borough. Access to services can happen without a social work assessment, known as a 'Core Offer', however for families who need a higher level of support, a short break provision is determined following a social work assessment, where DP is offered. DP can be offered for Carers when the family employ a person to work with their child at a rate of £13 per hour or DP funding can be used for activities, which is capped at 4 hours at the rate of £10 per hour. The Short Breaks Service came into its present format in April 2019. As part of the Disabled Children's Service reorganisation, the Direct Payment Service was moved into the Short Breaks team and the shared service is hosted by the Royal Borough of Kensington & Chelsea (RBKC).
- 4.6 During Covid-19 the service relaxed the rules regarding what DP could be spent on with guidance provided and prior agreement from the family's allocated worker. These relaxed rules have now stopped and families have returned to their agreed care package moving forward. The number of children in receipt of DP from the Council at the time of the audit was 136.
- 4.7 The audit confirmed that a number of good practices were in place including:
- regular monitoring to verify the client's continuing ability to manage the process and to identify any unspent funds and tracking of overspends.
 - The service has regular monitoring meetings in place where they discuss high risk cases and how the team can support families.
- 4.8 One high, five medium and one low priority recommendations were made to address the following weaknesses:
- Delays in undertaking reviews, with packages continuing without the relevant paperwork or sign-off from management
 - The short breaks service has a vision in place however it lacked detail and measurable targets for achieving their vision.
 - Formal procedures and process maps have not been developed detailing the workflow of provision including the role and expectation of the Direct Payments officer.
 - Documentation was not consistently recorded / uploaded to the case management system.
 - Further work is needed to fully align the services provided to the two Councils.

An action plan has been agreed to implement the recommendations and this will be followed up in March/April 2022.

Environment & City Management – Sayers Croft Outdoor Learning Centre (Amber)

- 4.9 Sayers Croft is an outdoor learning centre located in Surrey, owned by the Council. The Centre hosts 12,000 visitors annually, from a variety of sources. Thirty-three of the thirty-nine Westminster state primary schools visit the centre and activities and facilities provided are aimed at children from 8-11 years of age. The Centre has access to 56 acres of woodlands, meadows, ponds and fields, as well as professional instructors and provides self-contained accommodation for up to 200 guests on site.
- 4.10 The Sayers Croft Environmental Educational Trust operates as a separate entity alongside the Centre. It is a charitable trust providing outdoor activities for local schools and groups with special needs and acts a local community centre organising fundraising activities and community-based events. The Trust own a building within the Centre which is used as their administrative centre and for meetings / activities and host between 8,000 to 10,000 visitors per annum. In addition, they own land around the Centre including woodland and fields used for recreational activities and another site close to the village.
- 4.11 The audit identified the following areas of good practice:
- A mission statement is in place and periodic meetings held with the Director of Environment on the operation, management, and performance of the Centre.
 - A recent review of fees was undertaken, which was approved by the Cabinet Member in October 2020. The new banded fee structure came into effect in September 2021 which reflected peak, mid-peak and off-peak periods in order to achieve better cost recovery for activities.
 - A proactive approach has been taken in delivering activities for schools during the pandemic. Whilst residential visits dropped significantly during this period, the Centre focused on increasing day visits including taking bookings at short notice and from a wider range of organisations. This ensured resources were being utilised effectively and sufficient income was generated during this difficult period
 - Purchase orders were being raised correctly and discussions have been held with the Commercial Team on procurement guidance when choosing local suppliers given it is not always possible to get the requisite number of quotes due to the rural location of the Centre.
 - Petty cash expenditure was appropriate, authorised and evidence provided to support claims.
 - A range of health and safety checks and inspections are undertaken for the Centre. All activities have a detailed risk assessment form which can be viewed by each school / organisation on the Centre's website. An online inventory portal is used to record all activity equipment and the date when it was last inspected. Inspection records were available and up to date.
 - Employee records were maintained and up to date on the Council's HR system.
- 4.12 From the audit it was clear that, due to a vacancy, some of the routine administrative functions had been undertaken by someone not familiar with the role although the Head of the Outdoor Centre provided as much information as possible and was working to recruit to the vacancy. It was also noted that the Covid-19 pandemic had impacted on normal routines.

4.13 Two high and five medium priority recommendations were made to address the weaknesses in the following areas:

- An absence of clarity in the relationship between the Centre and Sayers Croft Educational Trust. The roles, responsibilities, operational arrangements, legal, financial, and contractual obligations between the two parties are not clearly set out within any document.
- Income had not been banked promptly.
- The booking system does not enable a full audit trail to be maintained of residential and day bookings with supporting information.
- Tuck shop sales income is not monitored against depletion of stock levels.
- Expected against actual income is not reviewed on a proactive basis.
- A formal Council invoice was not raised for fees and charges due from the Trust.
- Appropriate tenancy agreements should be in place for all employees provided with on-site accommodation.

Actions to address the weaknesses identified have been agreed and a follow up will be undertaken in late March / early April 2022.

Follow up

4.14 Three follow-up reviews were undertaken in the period which confirmed that 62% of recommendations made had been fully implemented, with the implementation of the remaining recommendations in progress:

Audit	Recs Made	Recs Implemented	Recs in Progress	Recs not yet actioned
Procurement & Pre-paid Cards	6	6	0	0
Integration of Housing Complaints	2	0	2	0
Trading Standards	5	2	3	0
Totals	13	8 (62%)	5 (38%)	0
Total High Priority	2	0	2	
Total Medium Priority	7	4	3	
Total Low Priority	4	4	0	
Totals	13	8	5	

4.15 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

5. Financial Implications

There are no financial implications from this report.

6. Legal Implications

There are no legal implications from this report.

7. Staffing Implications

There are no staffing implications from this report.

8. 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 Reports

Internal Audit Status Report as at end January 2022

Completed Audits:

Plan Area	Auditable Area	Issued	Assurance level given	No of High Priority Recs	No of Med. Priority Recs	No of Low Priority Recs	Reported to Committee
Finance & Resources	NNDR	Jul-2021	Substantial	0	0	1	Sept-2021
	Income Compensation Claim	Jul-2021	Advisory	0	0	0	Dec-2021
	Investment Property Management	Nov-2021	Advisory	2	6	1	Dec-2021
Children's Services	Direct Payments & Payments Team	Nov-2021	Limited	1	5	1	Feb-2022
Schools	St Peter's Primary (Eaton Sq) (2020/21)	Aug-2021	Satisfactory	0	5	2	Sep-2021
	Robinsfield Primary (2020/21)	Jul-2021	Satisfactory	0	2	0	Sep-2021
	Christchurch Bentinck Primary	Sep-2021	Substantial	0	0	5	Dec-2021
	St Luke's Primary	Sep-2021	Satisfactory	0	3	2	Dec-2021
	Hallfield Primary	Nov-2021	Substantial	0	0	0	Feb-2022
	Hampden Gurney Primary	Nov-2021	Substantial	0	0	2	Feb-2022
	St Gabriel's Primary	Dec-2021	Substantial	0	2	1	Feb-2022
Finance & Resources	Treasury Management (2020/21)	Nov-2021	Substantial	0	0	1	Feb-2022
	IT: Asset & Access Management	Dec-2021	Advisory	0	5	2	Feb-2022

Internal Audit Status Report as at end January 2022

Plan Area	Auditable Area	Issued	Assurance level given	No of High Priority Recs	No of Med. Priority Recs	No of Low Priority Recs	Reported to Committee
Growth, Planning & Housing	Leaseholder Service Charges (2020/21)	Jan-2022	Satisfactory	0	1	1	Feb-2022
Environment & City Management	Trading Standards (2020/21)	May-2021	Satisfactory	1	4	0	Sep-2021
	Food Safety (2020/21)	Jun-2021	Limited	1	5	0	Sep-2021
	Sayers Croft Outdoor Learning Centre	Dec-2021	Limited	2	5	1	Feb-2022

Internal Audit Status Report as at end January 2022

Status of Planned Audits:

Plan Area	Draft Report Issued	In Progress	2021/22 Not Yet Due	Removed from Plan
Cross-cutting	<ul style="list-style-type: none"> • S113 Agreements Governance (Advisory) (Nov-21) 		<ul style="list-style-type: none"> • Business Continuity – Compliance • Scheme of Delegated Authority 	
Adult Social Care			<ul style="list-style-type: none"> • Debt Management 	
Children’s Services	<ul style="list-style-type: none"> • Placements – Operational & Financial Systems Integration 	<ul style="list-style-type: none"> • Supporting People Claims (on-going) 		
Schools	<ul style="list-style-type: none"> • St Vincent’s RC Primary • St Edward’s RC Primary 	<ul style="list-style-type: none"> • Essendine Primary • Schools Thematic Work (VAT) 	<ul style="list-style-type: none"> • All Souls Primary • Burdett Coutts Primary • St Augustine’s Federated Schools – Secondary 	
Finance & Resources		<ul style="list-style-type: none"> • Key Financial Controls (on-going) • Council Tax • Housing Benefit • FM Code (advisory) 	<ul style="list-style-type: none"> • IT Audits TBC 	<ul style="list-style-type: none"> • IT – Programmes & Projects Governance
People Services		<ul style="list-style-type: none"> • Payroll Compliance Testing (on-going) • Pensions Admin (on-going) 	<ul style="list-style-type: none"> • Apprenticeship Levy Spend 	
Growth, Planning & Housing		<ul style="list-style-type: none"> • Housing H&S - Lifts Maintenance • Housing H&S - Electrical Safety 		<ul style="list-style-type: none"> • Social Value in Procurement
Environment & City Management		<ul style="list-style-type: none"> • Contract Management • Contract Extensions 		
Innovation & Change		<ul style="list-style-type: none"> • Performance Reporting 	<ul style="list-style-type: none"> • Risk Management 	

Additional Information on Assurance Audits

(main report paragraph 4.3)

Schools (Substantial)

Audits of the Council's schools are carried out using an established probity audit programme, usually on a five-year cycle unless issues dictate a more frequent review. The programme is designed to audit the main areas of governance and financial control and has been fully reviewed to facilitate effective remote auditing where required. The programme's standards are based on legislation, the Scheme for Financing Schools and accepted best practice and the purpose of the audit is to help schools establish and maintain robust financial systems.

In the reporting period, three final reports have been issued in respect of the following schools:

- Hallfield Primary
- Hampden Gurney Primary
- St Gabriel's Primary

Substantial assurance was provided to all three schools.

Finance & Resources – Treasury Management (Substantial)

Treasury management is defined by CIPFA as 'the management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Treasury and Pensions Team has operated as a shared single delivery service since 2012 and provides the treasury management and pension functions for the London Borough of Hammersmith and Fulham, Royal Borough of Kensington and Chelsea and Westminster City Council.

Each Council has its own treasury management and investment strategies and the Treasury and Pensions Team undertakes day to day treasury investment and borrowing activity in accordance with each councils' strategies, policies, practices and procedures.

The audit confirmed that the Council has in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the management and control of its treasury management activities in line with the CIPFA Treasury Management Code of Practice (TM Code). Sample testing confirmed that established controls were operating effectively and one low priority recommendation made.

Additional Information on Assurance Audits

(main report paragraph 4.3)

Growth, Planning and Housing – Leaseholder Service Charges (Satisfactory)

Service charges are levied to recover the costs incurred in providing services to a building or estate and are set out in each property lease. There are two types of charges made by the Council to leaseholders: the annual service charge, which covers services delivered by the Council to a building or estate; and major works service charges, which are in respect of works valued at over £250.

The service charge estimated invoices for the year ahead are sent at the end of March each year. The actual charges (where the actual costs incurred are adjusted after being calculated) are sent in September after the end of the financial year. A detailed breakdown of how the charges have been allocated is included with the invoices. The terms of the lease state that the leaseholder must pay the service charges in advance and the Council provides an annual estimate to pay on a monthly basis or in two half-yearly payments in April and October.

If the estimated major works service charges are more than £200 the leaseholder can choose to pay in instalments. There are a number of instalment options, depending on how much the invoice amount is (£200 –£2000, £2000+ and £5000+)

The audit review noted a number of areas of good practice with one medium and one low priority recommendations made

The medium priority recommendation was in respect of improving the information provided to leaseholders when charges are likely to exceed estimates. The service is proposing to introduce updates for residents when the estimated service charge is close to being breached so that they are fully informed prior to the actual costs being confirmed in September each year.

A follow up review will be undertaken to confirm the implementation of the agreed actions.