



City of Westminster Committee Report

Meeting:	Audit and Performance Committee
Date:	29 November 2022
Classification:	General Release
Title:	Internal Audit Progress Report 2022/23 (to September 2022)
Wards Affected:	All
Policy Context	Internal audit provides assurance to the Council that it has robust systems and controls in place to support the ambitions contained within the Fairer Westminster Strategy.
Cabinet Member:	Councillor David Boothroyd, Finance and Council Reform
Key Decision:	No
Financial Summary:	Action is being taken to minimise the risk of error and maximise the recovery of amounts due to the Council.
Report of:	Gerald Almeroth, Executive Director of Finance and Resources

1. Executive Summary

- 1.1 This report summarises the status of the work included in the 2022/23 Internal Audit Plan as at the end of September 2022. Three 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 September 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 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 2022/23 was reviewed by the Committee in February 2022. 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.
- 4.3 Four assurance levels are used and when an audit is completed, an assurance opinion is provided. A description of each of the assurance levels is summarised below:

Assurance Level	Description
Substantial Assurance:	There is a sound system of internal control designed to achieve their objectives and the control processes tested are being consistently applied.
Satisfactory Assurance:	While there is generally a sound system of internal control, there are weaknesses which put some of the objectives at risk; and/or there is evidence that the level of non-compliance with some of the control processes may put some of the objectives at risk.
Limited Assurance:	Weaknesses in the system of internal control are such as to put the objectives at risk; and/or the level of non-compliance puts the objectives at risk.
Nil Assurance:	Control processes are generally weak, leaving the processes/systems open to significant error or abuse; and/or Significant non-compliance with basic control processes/systems open to error or abuse.

5. Internal Audit Outcomes (to September 2022)

5.1 Since the last report to the Committee three audits have been completed:

Audit	Assurance	RAG
Children's Placements: Operational & Financial Procedures (2021/22) – see paragraphs 5.3 to 5.7.	Limited	Amber
St Edward's Primary School (2021/22)*	Satisfactory	Green
Additional Restrictions Grants*	Satisfactory	Green

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

In addition, reviews have been completed on two Covid grant funded areas: Contain Outbreak Management Fund (public health); and Protect and Vaccination (housing). These reviews were required as part of the grant funding conditions.

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

Children's Services – Placements (Limited Assurance)

5.3 Children's placements are procured and paid for by the bi-borough Placements team. The team uses a 'database' called Art DB to record and maintain case data across both boroughs which can include the financial details of placements. Art DB has been in use for a number of years and has been customised specifically for use by the team. Children's Services also use a case management system call Mosaic.

5.4 Payments to placement providers are made through the Council's payments system (IBC) from case data information generated automatically within Mosaic. Due to the misalignment of the information held on the Art DB database and Mosaic case management system, there have been historic overpayments (dating back to 2017) to some placement providers. A service and finance led review was completed and in December 2020, the total value of identified overpayments was £509,548. At the time of completing the audit fieldwork in June 2022, this overpayment figure had been reduced to £203,328. To date, in October 2022, £391,279 of the £509,548 has been recouped. However, further review work has also identified additional historical overpayments meaning that the total outstanding payments figure is currently £242,729. Based on the success of the last year in recouping historical overpayments this work will continue.

5.5 The Service was aware of the limitations of the existing systems prior to the audit and in November 2021, a decision was made to introduce an enhanced version of Mosaic which will address the known issues, which were also identified in the audit. The work to introduce an enhanced version of Mosaic has been in train for some time and the new system is expected to be fully operational by April 2023.

5.6 The audit confirmed that a number of good practices were now in place to ensure robust financial management including:

- Policies and procedures in place that cover all areas of the placements and payments process which were reflective of the processes in place at the time of the audit.
- Overpayments are identified promptly, the Finance team is notified and the Children's Commissioning team are responsible for recovery actions.

- The Placements Team Manager meets monthly with the Finance team to review any changes of placements. This includes reconciling start and end dates, weekly fees, any changes of placements and any proposed future changes. The report is maintained and circulated by the Finance team. Additional checks are undertaken by the Business Intelligence team who produces a monthly exceptions report to reconcile any discrepancies between the Art DB and finance data. We confirmed that all elements of this process take place.
- 5.7 Three high, one medium and two low priority recommendations were made to address the following weaknesses identified from the audit:
- Testing identified a lack of evidenced scrutiny on Art DB, with the only cases confirmed as reviewed being those that went to the Placements Panel for approval. Whilst it was generally seen that value for money (VFM) was considered, this was not recorded systematically, and it was often difficult to see evidence of this on Art DB. From a sample of twenty, budgetary approval was not confirmed on the system for six cases and in sixteen cases, case notes to evidence the basis of approval and /or the approval emails from the Head of Service were not available. The Service have confirmed that the use of Art DB to record placement information will be phased out and with the introduction of an updated version of Mosaic. Placement information will be recorded directly on the child's file in Mosaic. The Service also confirmed that a placement search is not commenced unless the team is satisfied that Head of Service approval has been given, and although it is not reflected on the database, VFM is always considered (high priority).
 - From a sample of twenty placements reviewed, there were no contracts in place in 18 cases. The service confirmed that all placements made via Mosaic generate a purchase order which contains a summary of the provider's details and includes the weekly fee, start and end dates. This, in conjunction with the email correspondence, was used to record the placement agreement. It was noted that the team was under considerable pressure due to the challenging nature of finding placements in the first year of the pandemic. This coupled with the need to focus on the disaggregation of what was a tri-borough team, meant greater priority was given to the day-to-day operation of the service which, in some cases, resulted in a delay in the issuing of a contract (high priority).
 - For the same sample, we found discrepancies between placement end dates noted on Art DB / Mosaic and those in case notes, emails and/or purchase orders for four placements. It is acknowledged that the database recording system (Art DB) was built for the Council 20 years ago and the Placements team had already identified, prior to the audit, that there was insufficient scrutiny of end dates of care packages and has been taking steps to address this shortfall via manual processes. The database is due to be replaced with an updated version of Mosaic which will enable the introduction of automatic processes. In the meantime, additional manual checks have been introduced to manage this risk. It is envisaged that with the implementation of the new child file record system on Mosaic, the Placements Team will directly record placements information on Mosaic (high priority).
 - From a sample of 20 WCC placements, in nine cases, the purchase orders were not raised in a timely manner and eight payments were late. The Placements team had already identified, prior to the audit, that there was a

delay in purchase orders being raised and had taken steps to address this shortfall. Several of the late payments were due to discrepancies identified within the supplier invoice which required investigation. As there is currently no integrated recording system, there are a range of tools used by the service to ensure the accuracy of the finance position. The introduction of the updated version of Mosaic will enable the introduction of automatic processes (medium priority).

As indicated above, the move to an improved version of Mosaic will assist the service to automate some processes as well as enabling them to record relevant placement information in one place. In the meantime, key manual measures, identified above, have been put into place to avoid future overpayments. The new version of Mosaic is expected to be fully implemented by April 2023.

Follow up

- 5.8 Four follow-up reviews were undertaken in the period which confirmed that 91% of recommendations made had been fully implemented, with the implementation of the remaining recommendations in progress:

Audit	Recs Made*	Implemented*	In Progress*	Not yet actioned*
St Edward's Primary School	4 (1H, 1M, 2L)	4 (1H, 1M, 2L)	0	0
Soho Parish Primary School	7 (4M, 3L)	6 (4M, 2L)	1 (L)	0
Hampden Gurney Primary School	2 (L)	2 (L)	0	0
Client Affairs	9 (8M, 1L)	8 (7M, 1L)	1 (M)	0
Totals	22	20 (91%)	2 (9%)	0
Total High Priority	1	1	0	
Total Medium Priority	13	12	1	
Total Low Priority	8	7	1	
Totals	22	20	2	

*Recommendations categorised as High(H), Medium(M) or Low (L) priority

- 5.9 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

6. Financial Implications

With reference to paragraph 5.4, a Children's Services and Finance-led review was completed in December 2020, and the total value of overpayments identified at the time was £509,548. At the time of completing the audit fieldwork in June 2022, this overpayment figure had been reduced to £203,328.

However, further review work identified additional historical overpayments and the total outstanding figure is currently £242,729.

Total overpayments recouped to date equal £391,279 and work to further reduce this figure is ongoing.

Any decision taken to write off the overpayment risk wholly or in part will impact the Children's Services reported position. A further account will be provided at the end of the current financial year

7. Legal Implications

There are no legal implications from this report.

8. Carbon Impact

The decision will have no carbon impact.

9. Equalities Impact

There are no equalities implications from this report.

9. 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:

Moira Mackie on 07800 513 192 Email: Moira.Mackie@rbkc.gov.uk

or

David Hughes on 07817 507 695 Email: David.Hughes@rbkc.gov.uk

APPENDICES

Appendix 1 Completed Audits and Status of Planned Audits

Appendix 2 Additional Information on Assurance Audits

BACKGROUND PAPERS:

Internal Audit Reports

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
Adult Social Care & Public Health	Contain Outbreak Management Fund Compliance	Jun-22	n/a	0	0	0	Oct-22
Children’s Services	Children’s Placements: Operational & Financial Procedures (2021/22)	Jun-22	Limited	3	1	2	Oct-22
Schools	St Edward’s Primary (2021/22)	Jul-22	Satisfactory	1	1	2	Oct-22
Growth, Planning & Housing	Protect & Vaccine Grant Compliance	Jun-22	Advisory	0	0	0	Oct-22
Growth, Planning & Housing	Additional Restrictions Grant (ARG)	Sep-22	Satisfactory	0	4	4	Oct-22

Definitions of Recommendations:

Priority	Description
High (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Medium (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Low (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

Status of Planned Audits:

Plan Area	Draft Report Issued	In Progress/ Due to Start	Not Yet Due	TBC
Cross-cutting				<ul style="list-style-type: none"> • Business Continuity – Compliance • Review of Constitution • Scheme of Delegated Authority • Register of Officers’ Interests • Politically Restricted Posts
Adult Social Care		<ul style="list-style-type: none"> • Continuing Healthcare (Q2) 	<ul style="list-style-type: none"> • Homecare (Q3) • Contract Management (Q3-4) • Market Management (Q4) 	<ul style="list-style-type: none"> • Discharge to Assess (D2A)
Children’s Services		<ul style="list-style-type: none"> • Supporting People Claims (on-going) • Implementation of New Case Management System (on-going) 	<ul style="list-style-type: none"> • Registrar Service (Q3 into Q4) 	<ul style="list-style-type: none"> • Libraries Asset Management
Schools	<p>2021/22:</p> <ul style="list-style-type: none"> • Burdett Coutts Primary (Jun-22) • St Augustine’s Federated Schools – Secondary (Jun-22) <p>2022/23:</p> <ul style="list-style-type: none"> • All Souls Primary (Jul-22) • St Mary’s Bryanston Sq (Sep-22) 	<ul style="list-style-type: none"> • Schools Thematic Work (VAT) • Queens Park Primary (Q2) • St Joseph’s RC Primary (Q2) • Westminster Cathedral Primary – Closure Audit (Q2) 	<ul style="list-style-type: none"> • Our Lady of Dolours (Q3) • Portman Early Childhood Centre (Q3) • St Barnabas Primary (Q3) • St Clement Danes Primary (Q3) • St Mary of the Angels Primary (Q3) • Dorothy Gardner Nursery (Q4) • Mary Paterson Nursery (Q4) • Tachbrook Nursery (Q4) • St Peter’s Primary (Q4) 	<ul style="list-style-type: none"> • St George’s Hanover Sq Primary • St Mary Magdalene (defer to Q1 2023/24) • QEII Jubilee and College Park (Advisory)
Finance & Resources		<ul style="list-style-type: none"> • Finance Compliance Testing (on-going) • Corporate Property • Management of Debt (IBC) • IT Audit Needs Assessment (ANA) 	<ul style="list-style-type: none"> • Pensions Investments (Q3) • IT: following ANA 	<ul style="list-style-type: none"> • Commercial Partnerships

Plan Area	Draft Report Issued	In Progress/ Due to Start	Not Yet Due	TBC
People Services		<ul style="list-style-type: none"> • Payroll Compliance Testing (on-going) 	<ul style="list-style-type: none"> • Pensions Admin (Hants Assurance plus in-house monitoring) (Q3-4) 	
Growth, Planning & Housing		<p>2021/22:</p> <ul style="list-style-type: none"> • Housing H&S - Lifts Maintenance • Housing H&S - Electrical Safety <p>2022/23:</p> <ul style="list-style-type: none"> • Procurement of Temporary Accommodation • Leaseholders (Major Works) • Housing Repairs 	<ul style="list-style-type: none"> • Recharges: HRA (Q3) 	<ul style="list-style-type: none"> • Housing Health & Safety (check cyclical reviews)
Environment & City Management		<p>2021/22:</p> <ul style="list-style-type: none"> • Contract Management • Contract Extensions <p>2022/23:</p> <ul style="list-style-type: none"> • Markets and Street Trading • Coroners & Mortuary Assurances 	<ul style="list-style-type: none"> • Environmental Health & Safety 	<ul style="list-style-type: none"> • Procurement
Innovation & Change		<ul style="list-style-type: none"> • Risk Management 	<ul style="list-style-type: none"> • Effectiveness of the Audit Committee (Q3) • Projects/ Programmes – Evaluation (Q3/Q4) • Equalities (Q3) • S106/CIL Advisory (Q4) 	<ul style="list-style-type: none"> • Climate Emergency

Additional Information on Assurance Audits

(main report paragraph 5.1)

1. Schools (Satisfactory Assurance)

- 1.1 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.
- 1.2 In the reporting period, one final report has been issued in respect of St Edward's Primary School which was provided with Satisfactory assurance. Four recommendations were made (one high, 1 medium and 2 low priority) in respect of the following:
- Improving the School's Expenses Policy and ensuring clarity on the use of official funds and governor's funds (high priority).
 - Including financial cost and resource requirements in the School Development Plan (medium priority).
 - Additional detail required on the asset register (low priority).
 - Including a Policy on staff Season Ticket Loans (low priority).

All of the recommendations were accepted and have been confirmed as implemented (see 5.8 in main report).

2. Growth, Planning & Housing: Additional Restrictions Grants (Satisfactory Assurance)

- 2.1 The Additional Restrictions Grant (ARG) was made available by central government's Department for Business Energy & Industrial Strategy (BEIS), to all Local Authorities (LAs) in England to support businesses that were severely impacted by the Covid-19 restrictions and were ineligible for the mandatory Covid-19 grant schemes. In total central government made available total funding of £925m to be distributed to all qualifying LAs in England. This was distributed over a number of tranches. BEIS provided a deadline of 31st March 2022 to all LAs for their funding allocations to be fully defrayed. The total allocation given to the Council was £18,861,984 with a spend of £18,862,022.
- 2.2 The Council's ARG scheme predominantly involved the disbursement of the funding allocations in the form of individual grant awards to eligible business recipients. However, the tranche 3 allocation was split into two schemes – a 4th round of ARG grants and then a suite of ARG-funded Business support schemes. Tranche 3 of the City Council's ARG allocation saw £2.1m ringfenced to be used to fund a suite of business support programmes and schemes to be delivered directly by the City Council's Business & Enterprise Service or to be commissioned for delivery by third-party business support providers. For commissioned services, the Council underwent procurement processes and a grant-call process. A total of 3 providers were appointed to deliver the new

Additional Information on Assurance Audits

(main report paragraph 5.1)

business support schemes. The audit reviewed the governance and compliance against central government requirements as well as effectiveness of the administration of the ARG Grant Scheme.

- 2.3 The audit confirmed that, in general, the processes put in place to administer the grants were documented, well controlled, and complied with. It should be noted that the processes put in place to deliver the grants were established in an emergency context and the service utilised the functionality of the systems and programmes that were available to them at the time with some enhanced system functions only becoming available during the last round of grant.
- 2.4 Eight recommendations were made (4 medium and 4 low) in respect of the following:
- Spot checking undertaken to ensure the accuracy and validity of payments should be recorded (medium priority).
 - Whilst payment authorisation was in accordance with financial regulations it would be prudent to have an additional layer of senior management sign off for payments when dealing with such large amounts (medium priority).
 - Improving the central storage of electronic documents (medium priority).
 - Documenting the action to be taken for appeals and complaints (medium priority).
 - Whilst a number of documented procedures were in place, there was no workflow that covered the entire ARG process (low priority).
 - Training slides were not created nor was any training documentation retained once the application process commenced (low priority).
 - Due to the emergency nature of the delivery, service standards relating to response times were automated but there was no other “light-touch” monitoring to provide assurance that automated processes were working and service standards were being maintained (low priority).
 - Improving the functionality of the case management system such as streamlining workflows (low priority).

The service accepted the recommendations and moving forward will ensure that, when they are designing schemes, there will be workflows or procedure notes for all aspects of the process and are already working on templates which could be adapted for future projects.