



# City of Westminster Committee Report

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| <b>Meeting:</b>           | Audit and Performance Committee  |
| <b>Date:</b>              | 23 February 2023   |
| <b>Classification:</b>    | General Release  |
| <b>Title:</b>             | Internal Audit Progress Report 2022/23 (to January 2023)   |
| <b>Wards Affected:</b>    | All  |
| <b>Policy Context</b>     | 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. |
| <b>Cabinet Member:</b>    | Councillor David Boothroyd, Finance and Council Reform   |
| <b>Key Decision:</b>      | No   |
| <b>Financial Summary:</b> | There are no financial implications arising from this report   |
| <b>Report of:</b>         | 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 January 2023. Four audits have been finalised with a further twelve at draft report stage. 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 2023 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:

| <b>Assurance Level</b>         | <b>Description</b>   |
|--------------------------------|--|
| <b>Substantial Assurance:</b>  | There is a sound system of internal control designed to achieve their objectives and the control processes tested are being consistently applied.  |
| <b>Satisfactory Assurance:</b> | 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. |
| <b>Limited Assurance:</b>      | 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.  |
| <b>Nil Assurance:</b>          | 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 (October 2022 to January 2023)

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

| Audit  | Assurance    | RAG   |
|--|--------------|-------|
| Burdett Coutts Primary School*               | Satisfactory | Green |
| St Mary's Bryanston Square*                  | Satisfactory | Green |
| Westminster Cathedral School Closure Review* | Satisfactory | Green |
| Lift Maintenance (2021/22)*                  | Satisfactory | Green |

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

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

### Follow up

5.3 Six follow-up reviews were undertaken in the period which confirmed that 61% 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* |
|--------------------------------------|-------------------|---------------------|--------------------|-------------------|
| Management of Community Halls        | 7<br>(1H, 4M, 2L) | 2<br>(1H, 1L)       | 5<br>(4M, 1L)      | 0                 |
| Food Safety - 2                      | 6<br>(1H, 5M)     | 2<br>(M)            | 4<br>(1H, 3M)      | 0                 |
| St Gabriel's Primary School          | 3<br>(1M, 2L)     | 3<br>(1M, 2L)       | 0                  | 0                 |
| Procurement & Pre-paid Cards         | 1<br>(M)          | 1<br>(M)            | 0                  | 0                 |
| St Vincent's Primary School          | 5<br>(1M, 4L)     | 5<br>(1M, 4L)       | 0                  | 0                 |
| Children's Services: Direct Payments | 1<br>(M)          | 1<br>(M)            | 0                  | 0                 |
| <b>Totals</b>                        | <b>23</b>         | <b>14<br/>(61%)</b> | <b>9<br/>(39%)</b> | <b>0</b>          |
| Total High Priority                  | 2                 | 1                   | 1                  | 0                 |
| Total Medium Priority                | 13                | 6                   | 7                  | 0                 |
| Total Low Priority                   | 8                 | 7                   | 1                  | 0                 |
| <b>Totals</b>                        | <b>23</b>         | <b>14</b>           | <b>9</b>           | <b>0</b>          |

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

5.4 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.

### **Other Outcomes**

- 5.5 In October 2018, following a trial at Southwark Crown Court, a former interim officer at the Council was found guilty of fraud by abuse of position and concealing criminal property, and was sentenced to 7 years in prison. Although the offences were committed in 2010, the transactions were not identified as suspicious until 2013 when Internal Audit referred the case to the Police for further investigation.
- 5.6 Following the criminal trial, in November 2020, a Confiscation Order was agreed between the prosecution and defence. The benefit of the crime was identified as just over £1m and the amount available to pay, taking into account the value of available assets, was identified to be just over £379k.
- 5.7 In December 2022, the Council received £371,714 from HM Courts and Tribunal Service Confiscation Unit, in respect of compensation for their losses.

### **6. Financial Implications**

There are no financial implications from this report.

### **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:**

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## **APPENDICES**

**Appendix 1 Completed Audits and Status of Planned Audits**

**Appendix 2 Additional Information on Assurance Audits**

## **BACKGROUND PAPERS:**

**Internal Audit Reports**

**Completed Audits:**

| <b>Plan Area</b>                             | <b>Auditable Area</b>   | <b>Issued</b> | <b>Assurance level given</b> | <b>No of High Priority Recs</b> | <b>No of Med. Priority Recs</b> | <b>No of Low Priority Recs</b> | <b>Reported to Committee</b> |
|--|---|---------------|------------------------------|---------------------------------|---------------------------------|--------------------------------|------------------------------|
| <b>Adult Social Care &amp; Public Health</b> | Contain Outbreak Management Fund Compliance                         | Jun-22        | n/a                          | 0                               | 0                               | 0                              | Nov-22                       |
| <b>Children's Services</b>                   | Children's Placements: Operational & Financial Procedures (2021/22) | Jun-22        | Limited                      | 3                               | 1                               | 2                              | Nov-22                       |
| <b>Schools</b>                               | St Edward's Primary (2021/22)                                       | Jul-22        | Satisfactory                 | 1                               | 1                               | 2                              | Nov-22                       |
| <b>Schools</b>                               | Burdett Coutts Primary (2021/22)                                    | Jan-23        | Satisfactory                 | 0                               | 0                               | 2                              | Feb-23                       |
| <b>Schools</b>                               | St Mary's Bryanston Square  | Jan-23        | Satisfactory                 | 0                               | 6                               | 3                              | Feb-23                       |
| <b>Schools</b>                               | Westminster Cathedral School  | Jan-23        | Satisfactory                 | 0                               | 5                               | 5                              | Feb-23                       |
| <b>Growth, Planning &amp; Housing</b>        | Protect & Vaccine Grant Compliance                                  | Jun-22        | Advisory                     | 0                               | 0                               | 0                              | Nov-22                       |
| <b>Growth, Planning &amp; Housing</b>        | Additional Restrictions Grant (ARG)                                 | Sep-22        | Satisfactory                 | 0                               | 4                               | 4                              | Nov-22                       |
| <b>Growth, Planning &amp; Housing</b>        | Lift Maintenance (2021/22)  | Nov-22        | Satisfactory                 | 0                               | 2                               | 1                              | Feb-23                       |

Definitions of Recommendations:

| Priority                | Description  |
|-------------------------|--|
| High<br>(Fundamental)   | Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.  |
| Medium<br>(Significant) | Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.                                     |
| Low<br>(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  | Remove from Plan  |
|----------------------------|--|--|---|
| <b>Cross-cutting</b>       |  |  | <ul style="list-style-type: none"> <li>• Business Continuity – Defer to 2023/24 to allow systems compliance to be embedded.</li> <li>• Review of Constitution – being undertaken by Director of Law</li> <li>• Scheme of Delegated Authority – review after Constitution updated</li> <li>• Register of Officers’ Interests – defer to 2023/24</li> <li>• Politically Restricted Posts – HR project underway no audit required</li> </ul> |
| <b>Adult Social Care</b>   |  | <ul style="list-style-type: none"> <li>• Continuing Healthcare (Q2)</li> <li>• Homecare (Q3)</li> <li>• Contract Management (Q3-4)</li> </ul>  | <ul style="list-style-type: none"> <li>• Discharge to Assess (D2A) – high level of scrutiny, audit not required</li> <li>• Market Management – defer to 2023/24</li> </ul>  |
| <b>Children’s Services</b> |  | <ul style="list-style-type: none"> <li>• Supporting People Claims (on-going)</li> <li>• Implementation of New Case Management System (on-going)</li> <li>• Registrar Service</li> </ul>  | <ul style="list-style-type: none"> <li>• Libraries Asset Management – audit not required</li> </ul>   |
| <b>Schools</b>             | <p><b>2021/22:</b></p> <ul style="list-style-type: none"> <li>• St Augustine’s Federated Schools – Secondary (Jun-22)</li> </ul> <p><b>2022/23:</b></p> <ul style="list-style-type: none"> <li>• All Souls Primary (Jul-22)</li> <li>• St Mary Magdalene (Oct-22)</li> <li>• Queens Park Primary (Dec-22)</li> <li>• QEII Jubilee and College Park (Advisory) (Dec-22)</li> <li>• St Joseph’s RC Primary (Dec-22)</li> <li>• St Barnabas Primary (Jan-23)</li> <li>• St Mary of the Angels Primary (Feb-23)</li> </ul> | <ul style="list-style-type: none"> <li>• Our Lady of Dolours (Q3)</li> <li>• Portman Early Childhood Centre (Q3)</li> <li>• St Clement Danes Primary (Q3)</li> <li>• Dorothy Gardner Nursery (Q4)</li> <li>• Mary Paterson Nursery (Q4)</li> <li>• Tachbrook Nursery (Q4)</li> <li>• Our Lady of Dolours (Q3)</li> <li>• Portman Early Childhood Centre (Q3)</li> <li>• St Clement Danes Primary (Q3)</li> <li>• St George’s Hanover Sq Primary (Q3)</li> <li>• St Peter’s Primary (Q4)</li> </ul> |   |

| Plan Area                                | Draft Report Issued   | In Progress/ Due to Start   | Remove from Plan   |
|--|---|---|--|
| <b>Finance &amp; Resources</b>           | <ul style="list-style-type: none"> <li>• Accounts Receivable (Jan-23)</li> <li>• IT Audit Needs Assessment (ANA) (Jan-23)</li> <li>• NNDR (Feb-23)</li> </ul> | <ul style="list-style-type: none"> <li>• Finance Compliance Testing (on-going)</li> <li>• Corporate Property</li> <li>• Follow up on Governance for wholly owned companies</li> <li>• Pension Investments</li> <li>• Council Tax</li> <li>• Housing Benefits</li> </ul>   | <ul style="list-style-type: none"> <li>• Commercial Partnerships to include in 2023/24 plan.</li> </ul>  |
| <b>People Services</b>                   |   | <ul style="list-style-type: none"> <li>• Payroll Compliance Testing (on-going)</li> <li>• Pensions Admin (ongoing)</li> </ul>   |  |
| <b>Growth, Planning &amp; Housing</b>    |   | <p><b>2021/22:</b></p> <ul style="list-style-type: none"> <li>• Housing H&amp;S - Electrical Safety (delayed start)</li> </ul> <p><b>2022/23:</b></p> <ul style="list-style-type: none"> <li>• Procurement of Temporary Accommodation – TBC</li> <li>• Leaseholders (Major Works) - TBC</li> <li>• Housing Repairs - TBC</li> </ul> | <ul style="list-style-type: none"> <li>• Recharges: HRA – consider in future year</li> <li>• Building Control defer to future year</li> </ul>  |
| <b>Environment &amp; City Management</b> | <p><b>2021/22:</b></p> <ul style="list-style-type: none"> <li>• Contract Management &amp; Contract Extensions</li> </ul>                                      | <p><b>2022/23:</b></p> <ul style="list-style-type: none"> <li>• Markets and Street Trading - TBC</li> <li>• Coroners &amp; Mortuary Assurances - TBC</li> <li>• Environmental Health &amp; Safety - TBC</li> </ul>  | <ul style="list-style-type: none"> <li>• Contracts: eg Arboriculture &amp; Grounds Maintenance, Parking (recently re-procured), defer to future year.</li> </ul>   |
| <b>Innovation &amp; Change</b>           |   | <ul style="list-style-type: none"> <li>• Risk Management</li> <li>• Effectiveness of the Audit Committee (Q4)</li> <li>• S106/CIL Advisory (Q4)</li> </ul>  | <ul style="list-style-type: none"> <li>• Climate Emergency review 2023/24</li> <li>• Projects/ Programmes (evaluation) - defer to 2023/24</li> <li>• Equalities – likely deferral to 2023/24 or future year</li> </ul> |



## 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, three final reports in respect of school audits have been issued as follows:
- Burdett Coutts Primary School (Satisfactory assurance and 2 recommendations made, both low priority). It was noted that the full scope of the audit programme could not be covered during this audit, and a further review may need to be undertaken in 2023/24.
  - St Mary's Bryanston Square (Satisfactory assurance, 6 medium and 3 low priority recommendations made).
  - Westminster Cathedral School (Satisfactory assurance, 5 medium and 5 low priority recommendations made). This audit did not cover the full audit programme as it was focused on the adequacy of arrangements put in place to ensure that the merger with St Vincent de Paul School, were appropriately managed.

### 2. Growth Planning & Housing Department: Lift Maintenance Audit (Satisfactory Assurance)

- 2.1 The Council has a 10-year contract, which started in 2017, that covers all of the 361 lifts in the housing stock. The contract covers servicing as well as call outs for lift breakdowns and repairs including labour and materials. The call out facility is available 24 hours a day, 7 days a week, 52 weeks a year, including Bank holidays, for the release of people trapped in a lift and attending breakdowns. The number of times that a maintenance engineer attends a lift depends on the type of lift and the amount of use it gets. The Lifts Team is responsible for monitoring the lift maintenance contract and ensuring that the lift installations, compliance, inspections and quality assurance are undertaken properly.

The audit confirmed that the service has:

- comprehensive procedures.
- A detailed scope of service specification relating to the lift Maintenance including Planned Preventative Maintenance.
- Regular monthly meetings with the contractor to discuss any updates or concerns and performance. These meetings are minuted detailing action points and due dates.
- On a daily basis the service is informed by the contractor as to which of their Engineer's and assistants are on call outs, and which are on service duties.

**Additional Information on Assurance Audits**

**(main report paragraph 5.1)**

The controls in most areas were in place and operating effectively; with two recommendations made in the following areas:

- ensure the status of qualification for each of the engineers working on the contract and confirm that all the Assistants have a minimum training level of EPR202N Basic Lift Safety. The list of Engineers and Assistants should be updated each time a new person is deployed on the contract and should be reviewed every 6 months.
- The response times (from time order is placed to job/repair being completed) has been set at 2 hours for KPI purposes. At the time of the audit, this was being reported as between 38 and 39%. It was recommended that the contractor be given a fixed period to improve performance in this area and if improvement wasn't made, additional action should be taken, such as issuing an Improvement Notice. It was noted that there is a shortfall of qualified Lift Maintenance Engineers and it was further recommended that the Contracts Manager undertakes some comparison with other Councils to establish if their KPI on response times is comparable and appropriate.

The recommendations were accepted and were due to be actioned by the end of the financial year.