



# City of Westminster Committee Report

<b>Meeting:</b>	Audit and Performance Committee
<b>Date:</b>	23 February 2023
<b>Classification:</b>	General Release
<b>Title:</b>	Internal Audit Plan 2023/24
<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 The Strategic Audit Plan (Appendix 1) identifies significant, persistent risks that the Council faces and the business areas to be covered by internal audit over a five-year period. The Strategic Audit Plan supports the annual planning process and ensures that the internal audit continues to provide assurance over the breadth of the Council's operations.
- 1.2 The draft Annual Audit Plan, the Plan, (Appendix 2) is prepared following consultation with Directors and Heads of Service and takes into account the Council's corporate and departmental risks and priorities.
- 1.3 To ensure that the 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 9 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 Strategic Audit Plan, as set out in Appendix 1, 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 5-year plan.
- 2.2 The Committee review the early draft of the Annual Audit Plan, as set out in Appendix 2, and comment on the audit work due to be undertaken in the first quarter of 2023/24 and identify any specific audits to be considered during the coming year.

## **3. Reasons for Decision**

The Strategic and Annual Audit Plans are compiled by the Shared Services Director for Internal 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 and 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 Internal 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 and Performance Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. The Audit and 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 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, since 2020/21, we have implemented the following changes to the way in which we deliver the Internal Audit Service:
  - A Strategic Audit Plan has been developed, which documents the significant, persistent risks that the Council faces and outlining, in broad terms, themes to be covered over a 5-year period. This helps to ensure

that internal audit does not become a purely reactive function. The Strategic Audit Plan is attached as **Appendix 1**.

- We work with a '3 plus 9' Annual Audit Plan, planning out the next 3 months in detail, taking into account key risks and priorities, whilst keeping the remaining 9 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.
- The option of focused coverage or less formal reporting is available where the traditional approach would not provide assurance as quickly as needed.
- We 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 2023/24 is attached as **Appendix 2** 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 2023/24 and some changes may be required, once all of the planning meetings have been held.

## **5. Financial Implications**

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. Carbon Impact**

The decision will have no carbon impact.

## **8. 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            Strategic Audit Plan**

**Appendix 2            Draft Annual Audit Plan**

## BACKGROUND PAPERS

**Strategic Internal Audit Plan (2021-2026)**

The Strategic Audit Plan sets out the medium-term direction of the Internal Audit Service. This 5-year plan outlines the priorities of the service and how Internal Audit can continue to provide an adequate level of assurance whilst taking into account resource limitations and the changing risk landscape.

The Strategic Audit 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, an increasing demand for its services and a reduction in the resources available to them which has, in turn, impacted on the control environment. In addition, local authorities are taking more risks as they explore innovative solutions in order to bridge funding gaps and transform the organisation. It is important that the Internal Audit Service continues to evolve to ensure that it remains an effective assurance provider.

The 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 5-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 ambitions contained within the Fairer Westminster Strategy.

Area of Review	Significant Persistent Risks	Five-year Approach
<p><b>Corporate Resources</b> Back office and support functions including Finance, HR, business continuity, risk management, health and safety and procurement</p>	<ul style="list-style-type: none"> <li>• Internal and external fraud</li> <li>• Poor Financial management</li> <li>• Risks to staff safety and welfare</li> <li>• Value for money not achieved in commissioning, procurement and contract management</li> <li>• Council funds not invested effectively</li> <li>• Staff do not have the skills, resources or support to discharge their roles effectively</li> <li>• Council unable to cope with business disruption or emergencies.</li> </ul>	<p>At least one full audit of each key financial system (excluding Hants assurance areas) 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><b>Governance, Partnerships and Transformation</b> Council governance functions, key strategic partnerships, commercial ventures and transformation programmes and projects.</p>	<ul style="list-style-type: none"> <li>• Governance failures, bringing the Council into disrepute or leading to the aims and objectives of the Council not being achieved.</li> <li>• Programmes and projects are not managed effectively within the required budget and timescales, delivering all expected benefits.</li> <li>• Ill-advised strategic partnerships or ventures entered into or poor governance arrangements lead to objectives not being achieved.</li> <li>• Information requests (such as SARs and FOIs) are not responded to promptly and appropriately.</li> <li>• Statutory functions such as Electoral Services are not discharged effectively</li> <li>• Commercial property portfolio is not managed effectively.</li> </ul>	<p>At least one full audit of SARS, FOIs, Members Enquiries and Complaints</p> <p>Annual coverage of Health and Safety based on discussions with management and understanding of risk areas</p> <p>At least one audit of Gifts, Hospitality and Declarations of Interest</p> <p>Annual audits of specific areas of governance based on discussions with management and understanding of risk.</p> <p>Coverage of each significant Partnership, Joint Venture, Council Owned Company or Commercial Venture.</p> <p>Annual Coverage of Risk Management at either a corporate, thematic or departmental level.</p>
<p><b>Information Management &amp; Technology</b> 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"> <li>• Loss of information, data breaches or inappropriate disclosure.</li> <li>• Loss of access/information due to systems failure or cyber attack.</li> <li>• Breach of access controls.</li> </ul>	<p>Periodic IT audit needs assessment and frequent discussions with management to understand risk areas.</p>
<p><b>Housing</b> Housing Services provided to Council Tenants, Leaseholders and those at risk of homelessness.</p>	<ul style="list-style-type: none"> <li>• Properties are either acquired or disposed of that are not in line with the Council's strategy or value for money is not achieved.</li> <li>• Rent payments are not recovered promptly and completely</li> <li>• Council housing is acquired through fraud or is used inappropriately</li> <li>• Housing stock is not</li> </ul>	<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</p>

Area of Review	Significant Persistent Risks	Five-year Approach
	<p>maintained in a satisfactory condition leading to health and safety hazards and increased reactive maintenance.</p> <ul style="list-style-type: none"> <li>• Risks to the health and safety of residents are not identified and addressed promptly.</li> <li>• Leaseholders and not consulted and correctly charged for any works affecting their property.</li> <li>• Homeless and those at risk of becoming homeless in the borough do not receive the support they require.</li> </ul>	<p>Health and Safety compliance.</p>
<p><b>Children Services</b> Provision of services for children and families including looked after children, family support, school, SEND and amenity services including Registrars and Libraries.</p>	<ul style="list-style-type: none"> <li>• Failure in service continuity, safeguarding arrangements, financial management and governance.</li> <li>• Increased demands for services with reduced funding.</li> <li>• Statutory functions such as Registrars are not discharged effectively.</li> </ul>	<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>At least one audit of the Registrars Service.</p> <p>At least one audit of the Libraries Service.</p>
<p><b>Adult Social Care</b> Services provided to adults including day care, home care, direct payments and reablement.</p>	<ul style="list-style-type: none"> <li>• Increased demands for services with reduced funding.</li> <li>• Lack of suitable provision.</li> <li>• Weak supplier financial resilience.</li> </ul>	<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>
<p><b>Public Health</b> 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"> <li>• Access to appropriate affordable resources to support improvement to public health priorities.</li> <li>• Changing public health priorities and capacity for delivery (as exemplified by Covid-19 pandemic).</li> </ul>	<p>At least one procurement and one contract monitoring review across 2 to 3-year period.</p> <p>Targeted reviews in specific areas based on discussions with management and understanding of risk.</p>

Area of Review	Significant Persistent Risks	Five-year Approach
<p><b>Environment, Infrastructure and Community Services</b></p> <p>Management of highways infrastructure and services provided for residents, businesses and visitors. Includes Planning &amp; building control, parking, highways, public realm, environmental health, trading standards, community safety, sustainability, climate change impact, leisure, culture and amenity services.</p>	<ul style="list-style-type: none"> <li>• Statutory and regulatory functions not discharged effectively.</li> <li>• Weak supplier resilience / lack of provision.</li> <li>• Poor value for money/ ineffective service delivery/ failure to deliver outcomes for the community.</li> <li>• Injury to health /wellbeing to the community, businesses and visitors.</li> </ul>	<p>At least one procurement and one contract monitoring review across 2 to 3-year period.</p> <p>Cyclical review across the service areas based on discussions with management and understanding of risk.</p>

**Corporate Risks (NB to be reviewed, currently based on risks identified in Performance report to Committee Nov 2022)**

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 drafting the Annual Audit Plan, the Council wide risks identified by Directorates scoring 12 or above on the Council's Risk Register were:

Number	Risk	Risk Score*
1	Construction Industry Pressures continue in the light of Brexit, COVID19 and the conflict in Ukraine. Construction inflation is already running much higher than in other sectors and recent oil price and inflation increases will put further pressure on the industry.	20
2	Health Protection Incidents, including infectious disease outbreaks, causes wide-spread impact on and disruption to health and care service.	16
3	Impact of surface water flooding in the City causes damage to buildings and other structures.	16
4	Building Regulations Part B and Building Safety Act.	12
5	Reduced development sector activity and reduced development viability.	12
6	Financial Pressures and increased demand in Adult Social Care Overall increase in the complexity of care needs and increase in referrals for ASC Services.	12

\*Risks are scored from a minimum of 1 to a maximum of 25 for the most serious risks.



**Draft Annual Internal Audit Plan – 2023/24**

**1. Background**

The Annual Internal Audit Plan (the Plan) for 2023/24 is presented in two parts: the first 3 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.

Where possible the Plan is aligned to the Council’s corporate risks, however it should be noted that the Council’s corporate risks and priorities may change during the year, and the Plan will be updated as appropriate.

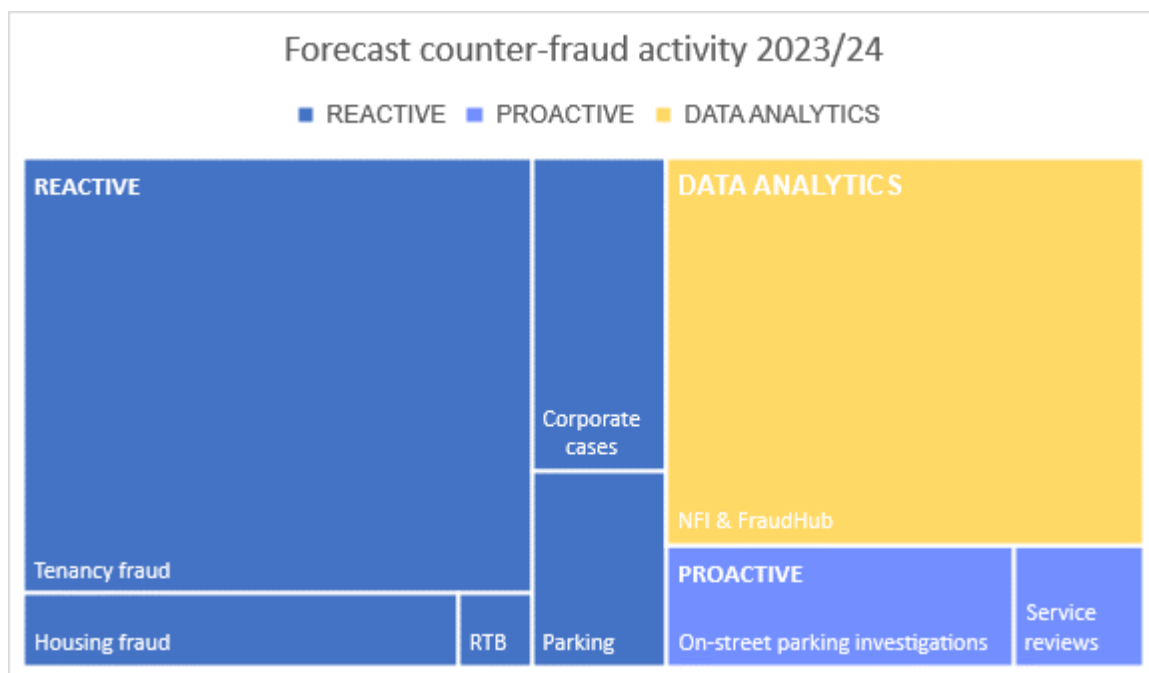
The Plan will be provided to the Council’s Executive Management Teams and the Audit and Performance Committee at the start of the financial year and will then be presented every quarter. The delivery of the Plan helps to create a culture of accountability, ensures that risk management process are embedded 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.

**2. Corporate Anti-Fraud Service (CAFS) 2023/34**

The work undertaken by CAFS complements the work of Internal Audit and provides additional assurance to the Council that fraud risks are being managed effectively. Reactive and proactive work is planned, with an anticipated increase in data analytics due to the biennial National Fraud Initiative data matching exercise and the London Counter FraudHub, which the Council joined at the end of 2022.

The table below reflects the forecast activity for 2023/24.



### 3. Draft Annual Internal Audit Plan – Quarter 1 2023/24

Department	Review	Potential Coverage	Corporate Risk*	Priority (H/M/L)
Cross-Cutting	Governance & Risk Management -	1 or 2 reviews (not yet confirmed)		various
Cross-Cutting	Schemes of Authorisation	Compliance with delegated authority		M
Adult Social Care	Day Care Provision	To be discussed with the service	6	M
Adult Social Care	Home Help	Dependent on coverage in 2022/23	6	
Children's Services	Libraries & Archives	To be discussed with the service		M
Children's Services	Supporting Families	On-going claims review (every quarter)	n/a	M
Children's Services - Schools	Schools	Cyclical review: Financial control and governance review.	n/a	M
Finance & Resources – Digital & Innovation	IT review (also in Q2-Q4)	Scope(s) not yet confirmed.		H
Finance & Resources – Commercial Partnerships	Procurement/ Contract Management	To be discussed with the service		H
Finance & Resources – Commercial Partnerships	Sustainable Procurement Strategy	To be discussed with the service		M
People Services	Pensions Administration	Ongoing review of processes		H
Growth, Planning & Housing	Housing Repairs	Dependent on coverage in 2022/23		H
Growth, Planning & Housing	Housing Rents	Cyclical review due		H
Growth, Planning & Housing	Health & Safety – Cyclical Review (also in Q2-Q4)	Asbestos, Water Hygiene & Fire Safety are due		H

\*The Council's Corporate Risks are those detailed at the end of Appendix 1 which may be updated during the year

**4. Draft Annual Internal Audit Plan – Quarters 2 to 4 2023/24**

Department	Review	Potential Coverage	Corporate Risk*	Priority (H/M/L)
Cross-Cutting	Governance & Risk Management	1 or 2 reviews (not yet confirmed), may include: <ul style="list-style-type: none"> <li>• Business Continuity</li> <li>• Delegated authority</li> <li>• Declarations of Interest</li> <li>• Transparency Data</li> <li>• Gifts &amp; Hospitality</li> </ul>		Various
Cross-Cutting	Finance, Payroll and HR Compliance Testing	Transaction testing to confirm compliance with agreed processes and controls	n/a	H
Adult Social Care	Market Management (bfwd 2022/23)	To be discussed with the service	6	H
Adult Social Care	Direct Payments	Cyclical review due	6	H
Adult Social Care	Public Health Commissioning	Contract management	2	M
Children's Services	Case Management	Compliance following implementation of new system		H
Children's Services	Supporting Families	On-going claims review (every quarter)	n/a	M
Children's Services	Schools	Financial control and governance review.	n/a	M
Environment & City Management	Contract Management	<ul style="list-style-type: none"> <li>• Arboriculture, Grounds Maintenance</li> <li>• Parking (various)</li> </ul>		H
Environment & City Management & Innovation & Change	Climate Emergency - governance	To be discussed with the service		H
Environment & City Management	Markets & Street Trading (bfwd 2022/23)	Q2-Q3 To be discussed with the service		H
Environment & City Management	Environmental Health & Safety (bfwd 2022/23)	Q2-Q3 To be discussed with the service		H
Finance & Resources – Digital & Innovation	IT review	Scope(s) not yet confirmed.		H
Finance & Resources – Commercial Partnerships	Procurement/ Contract Management	To be discussed with the service		H
Finance & Resources	Council Tax	Cyclical review		M
Finance & Resources	NNDR	Cyclical review		M
Finance & Resources	Housing Benefit	Cyclical review		M
Growth, Planning & Housing	Building Control	To be discussed with the service		H
Growth, Planning & Housing	Health & Safety – Cyclical Review	Asbestos, Water Hygiene & Fire Safety are due		H

<b>Department</b>	<b>Review</b>	<b>Potential Coverage</b>	<b>Corporate Risk*</b>	<b>Priority (H/M/L)</b>
People Services	Pensions Administration	Ongoing review of processes		H
People Services	Recruitment & Retention	To be discussed with the service		M
Innovation & Change	TBC Projects & Programmes (see 22/23 audit on Risk Management first)	To be discussed with the service		H
Innovation & Change	Leisure Services - contract	To be discussed with the service post contract signing		H
Innovation & Change	Equalities	To be discussed with the service		H

\*The Council's Corporate Risks are those detailed at the end of Appendix 1 which may be updated during the year.