



City of Westminster Committee Report

Meeting:	Audit and Performance Committee
Date:	24 October 2023
Classification:	General Release
Title:	Internal Audit Progress Report 2023/24 (to September 2023)
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:	There are no financial implications arising from this report
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 2023/24 Internal Audit Plan as at the end of September 2023. Three audits have been finalised with a further two 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 September 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 2023/24 was reviewed by the Committee in February 2023. 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 2023)

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

Audit	Assurance
Registrar Service	Satisfactory
Modern Slavery Strategy	Substantial
Millbank Estate Management Organisation (MEMO)	Satisfactory

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

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

Follow up

5.3 Five follow-up reviews were undertaken in the period which confirmed that 94% of recommendations made had been fully implemented, with the implementation of the remaining recommendations in progress:

Follow up Review	Recs Made*	Implemented*	In Progress*	Not yet actioned*
Housing Complaints	2 (1 H, 1 M)	2 (1 H, 1 M)	0	0
Trading Standards	3 (1 H, 2 M)	2 (M)	1 (H)	0
Apprenticeship Levy Spend	5 (1 H, 4 M)	5 (1 H, 4 M)	0	0
Food Safety	4 (1 H, 3 M)	4 (1 H, 3 M)	0	0
Gas Safety	2 (1 M, 1 L)	2 (1 M, 1 L)	0	0
Totals	16	15 (94%)	1 (6%)	0
Total High Priority	4	3	1	0
Total Medium Priority	11	11	0	0
Total Low Priority	1	1	0	0
Totals	16	15	1	0

*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.

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:

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
Children's Services	Registrar Service (2022/23)	Aug-23	Satisfactory	0	4	6	Oct-23
Housing	Millbank Estate Management Organisation (MEMO)	Sep-23	Satisfactory	0	4	1	Oct-23
Environment, Climate & Public Protection	Modern Slavery Strategy (2022/23)	Sep-23	Substantial	0	0	0	Oct-23

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	Remove from Plan
Cross-cutting		<ul style="list-style-type: none"> • Risk Management (2022/23) • Effectiveness of the Audit Committee 	<ul style="list-style-type: none"> • Business Continuity (TBC) • Scheme of Delegated Authority (TBC) • Contract spend (TBC) • Low value frequent spend (TBC) • Finance, Payroll Testing (TBC) 	
Adult Social Care		<ul style="list-style-type: none"> • Home Care • PH Contract Monitoring • Lisson Grove Hub (Learning Disability Support) • Droop Street (Learning Disability Day Centre) • Flexible Response (Learning Disability) 	<ul style="list-style-type: none"> • Market Management (TBC) • Direct Payments (Q3) 	
Children's Services		<ul style="list-style-type: none"> • Supporting People Claims (ongoing) 	<ul style="list-style-type: none"> • Schools Capital Spend (TBC) 	
Schools	<ul style="list-style-type: none"> • Portman Early Childhood Centre (2022/23) (Oct-23) 	<ul style="list-style-type: none"> • Burdett Coutts Primary 	<ul style="list-style-type: none"> • St James' & St John's Primary (Q4) • St Vincent de Paul (Q4) • Schools Capital Spend (TBC) 	
Finance & Resources		<ul style="list-style-type: none"> • Governance Wholly Owned Companies (Follow up of several previous reviews) • Corporate Property (2022/23) 	<ul style="list-style-type: none"> • Council Tax (Q3) • NNDR (Q3) • HB (Q3) • Corporate Health & Safety (TBC) 	
Law, Governance & People Services		<ul style="list-style-type: none"> • Pensions Admin (ongoing) 	<ul style="list-style-type: none"> • Coroner's Service (TBC) • Recruitment & Retention (TBC) 	
Digital & Innovation		<ul style="list-style-type: none"> • IT Risk Management 	<ul style="list-style-type: none"> • Cyber Security (Q3) • IT Third Party Risk Management (Q3) 	

Plan Area	Draft Report Issued	In Progress/ Due to Start	Not yet Due	Remove from Plan
Housing		<ul style="list-style-type: none"> • Leaseholders – Major Works (2022/23) • Resident Satisfaction Surveys • Members’ Enquiries & Complaints • Torridon TMO • Housing Rents 	<ul style="list-style-type: none"> • Housing Repairs (TBC) • HRA Recharges (TBC) • Housing Needs Temp Accom (TBC) • H&S Compliance various (TBC) 	
Regeneration, Economy and Planning			<ul style="list-style-type: none"> • Planning and/or Building Control (TBC) • Building Safety Act (TBC) • Economic Development & Regeneration (TBC) 	
Environment, Climate & Public Protection		<ul style="list-style-type: none"> • Mortuary 	<ul style="list-style-type: none"> • Food Safety Light Touch Review (Q4) • Markets & Street Trading (Q3) • Contracted Services – Environment (Waste/ Arboriculture) (Q3/4) • Parking Contracts (TBC) • H&S Governance - Contracts (Q3/4) • Climate Emergency (Cross Council – Governance) (Q3/4) 	<ul style="list-style-type: none"> • Environmental Health & Safety: (low priority)
Innovation & Change	<ul style="list-style-type: none"> • S106 and CIL 		<ul style="list-style-type: none"> • Contracted Services (Communities eg Leisure & Parks) • Projects & Programmes • Equalities 	

Additional Information on Assurance Audits

(main report paragraph 5.1)

1. Children's Services Department: Registrar Service (Satisfactory Assurance)

- 1.1 The Council provides a wide range of statutory and non-statutory services to residents within the borough as well as non-residents, across two main offices. These services are bookable and payable online and in the financial year 2021/22, 3,508 ceremonies were held across Old Marylebone Town Hall and the 170+ licenced venues within Westminster. This number of ceremonies was the highest concentration in the country, and the highest number of venues of any London borough. Ceremonies generate the highest income and 90% of couples who get married in Westminster do not Live in Westminster.
- 1.2 The audit identified good practice in the following areas:
- The service has promoted their ceremony venues and service offerings well within a dedicated 'A day to remember' website, ceremonies brochure, active social media channels and more. This can all be accessed via the main births, deaths and marriages council website.
 - The booking system is easy to navigate with clear information on what to do at each step.
 - The statutory fees and service offerings are set two years in advance and are reviewed annually.
 - The service reviews their current offerings as well as potential commercial opportunities, taking into account whether it is viable and what benefit it will provide the council and the customer. They have various additional services customers can purchase to enhance their day, all which have gone through a robust fee setting process.
 - Staff rotas are planned effectively to ensure that services can be covered from Monday to Sunday, taking into account service demand, staff availability and sufficient cover for last minute changes such as unexpected sickness.
 - There is a formal budget monitoring process in place with variances investigated. Income targets have been exceeded in the past two financial years.
- 1.3 Four medium priority recommendations were made in the following areas:
- Although the registrars website is presented in a customer friendly, easy to navigate format, some errors were noted, including incorrect links to other pages.
 - Increasing the frequency of stock checking to monthly with full details stated in the stock check record.
 - Full details of daily checks should be fully recorded on the relevant spreadsheet, and include the name of the person completing the check and the date that it was completed. Any discrepancies should also be recorded.
 - The process for banking income needed to be reviewed.
- 1.4 Six low priority recommendations were also made in respect of minor improvements in some of the administrative processes.
- 1.5 All of the recommendations have been accepted with a number of actions already taken with all expected to be addressed within the current financial year.

Additional Information on Assurance Audits

(main report paragraph 5.1)

2. Environment, Climate & Public Protection Department: Modern Slavery Strategy (Substantial Assurance)

- 2.1 Councils play a number of different roles in relation to modern slavery including identifying and referring potential victims, supporting victims, community safety activities and disrupting modern slavery, and ensuring supply chains are free from modern slavery. The Council has taken a co-ordinated community approach to tackling modern slavery, there is a joint bi-borough Ending Modern Slavery Strategy in place, covering the period 2021 to 2026, which is shared with the Royal Borough of Kensington and Chelsea (RBKC). This Strategy has been co-produced by partners, including by survivors and residents, and sets out both Councils' vision for ending modern slavery and how all the partners can work together to achieve this.
- 2.2 There are four objectives which need to be met to reach the vision of ending modern slavery: victims identified, exploitation prevented, victims supported, and exploiters brought to justice, and for each objective an action plan is in place to deliver the objective. The Strategy and governance arrangements are shared with RBKC and there are commonalities in the approach to delivering the Strategy within the bi-borough Children's Services and Adult Social Care areas however there are some differences in strategy delivery across sovereign service areas, and as well as in the profile of issues found within the two councils.
- 2.3 There is a multi-agency Modern Slavery and Exploitation Operational Group in place, which includes Council officers from Community Safety, Children's Services, Adult Social Care, and Licensing teams as well as representatives from RBKC, the London Borough of Hammersmith and Fulham (LBHF), the Metropolitan Police, the NHS and local specialist charities, who work together to oversee the strategic response to modern slavery. The Operational Group provides a governance framework for modern slavery and meets on a quarterly basis and is co-chaired by the Chief Community Safety Officer, RBKC and the Assistant Director of Community Safety, LBHF. The action plans to deliver the objectives within the Strategy have been developed by, and are monitored by, the Operational Group. In addition, the Council has a local operational delivery group in place, the Tackling Modern Slavery Group, which focuses on the Council only due to the complex issues it faces as a result of its position in central London.
- 2.4 The following areas of good practice were noted:
- The Ending Modern Slavery Strategy is a Co-ordinated Community Response to tackling modern slavery. It was developed with partners, and with contributions from modern slavery survivors, community voluntary and faith groups, professionals from specialist agencies, residents and businesses.
 - The reasons for developing a shared bi-borough strategy which is coproduced with partners, and which sets out a coordinated community response to ending modern slavery is set out in the Modern Slavery Strategy report presented to Leadership Team when the Strategy was taken for review and approval..
 - The Ending Modern Slavery Strategy clearly states the vision of the Strategy and the objectives to be met to achieve the vision. There are identified outcomes and activities to achieve each objective; these are clear and for each outcome an explanation is provided on what difference this will make. The Strategy is clear and easy to read and understand, and therefore accessible to a range of different stakeholders and readers. A glossary of relevant terminology is provided.
 - There is an action plan in place for the delivery of the Strategy which covers each objective of the Strategy. The action plans are developed by the Modern Slavery and Exploitation Operational Group to provide a co-ordinated approach to the delivery of the Strategy.
 - The objectives and the outcomes stated in the action plan align to the Strategy. For each outcome there are actions identified which are to be achieved. Outcomes are clearly defined, and actions are SMART. Actions are assigned to individuals within the partner organisations in the Modern Slavery and Exploitation Operational Group.

Additional Information on Assurance Audits

(main report paragraph 5.1)

- Action plans and the progress made on achieving the outcomes and the actions stated in the plan are subject to review and monitoring by the Modern Slavery and Exploitation Operational Group during their quarterly meetings.
- The action plans are maintained and updated by the Modern Slavery and Exploitation Coordinator and the Victims Programme Coordinator, LBHF. The updates to the actions are undertaken prior to the Modern Slavery and Exploitation Operational Group meetings and updates are also obtained during the meeting from partners. where appropriate actions are revised to become more specific and to address gaps identified which are needed to deliver the Strategy.
- There are established and effective governance arrangements are in place for the oversight and delivery of the Ending Modern Slavery Strategy. These are shared with RBKC and LBHF. The Modern Slavery and Exploitation Operational Group oversees the implementation of all three borough's five-year Modern Slavery and Exploitation strategies.
- The Modern Slavery and Exploitation Operational Group reports to each Council's VAWG Board and provides quarterly written updates. ▪ There is a Terms of Reference in place for the Modern Slavery and Exploitation Operational Group which has been agreed by the Group.
- The meeting minutes for the Modern Slavery and Exploitation Operational Group evidence discharge of their responsibilities as laid out in the Terms of Reference, and provide evidence that there is effective oversight of the delivery of the Ending Modern Slavery Strategy.
- There is a Tackling Modern Slavery Group which focuses solely on the Council and the complex demands and issues it faces as a result of it's position in the centre of London. The Group consists of officers from a broad range of Council departments to provide a broad and multifaceted local approach to tackling modern slavery The Group has an action plan in place which aligns with the Council's Ending Modern Slavery Strategy and this is monitored by the Group during quarterly meetings.

2.5 No recommendations were made as a result of this audit.

3. Housing Department: Millbank Estate Management Organisation (Satisfactory Assurance)

- 3.1 An Internal Audit review was requested by Housing Needs Management in order to provide assurance on whether Millbank Estate Management Organisation's (MEMO's) interim finances and governance arrangements are stable enough to continue to provide a full and proper service to Estate residents, following a number of changes to the MEMO Board.
- 3.2 MEMO is Westminster's largest tenant management organisation. The TMO is an organisation registered under the provisions of the Co-operative & community Benefit Society under 2014 Act. The TMO operates under a Modular Management Agreement that has been approved by the Secretary of State under regulation 4(10) of the Right to Manage Regulations. The TMO will carry out management functions for the estate in accordance with the terms of this Agreement. In carrying out these functions the TMO will also comply with the Council's legal obligations.
- 3.3 A number of areas of good practice were identified, including:
- Satisfaction survey of works undertaken by contractors inside residents' property is recorded into the Fixflo system, which only started in April 2023. This is an effective 3rd party assurance to management of the work undertaken by contractor is up to standard.
 - All the blocks on the estate had an up to date (May 2023), water tank testing certificate from an accredited contractor.

Additional Information on Assurance Audits

(main report paragraph 5.1)

- All the gas safety checks were carried out by a member of an accredited body as required by 4.2(e) of the Modular Agreement and all residents' annual safety checks fully up to date.
- In accordance with para 7.3 of the Modular agreement, the TMO had valid management liability insurance policy and covers Directors & Officer liability, employment practices liability and company legal liability up to £1 million. A public liability cover for £5 million was also in place.

3.4 Five recommendations were made in the following areas:

- The approved list of contractors was out of date and there was no formality for inclusion on the approved list (medium).
- The disagreements between the Committee members and members resigning, had resulted in the TMO having difficulty in making payments to certain suppliers/ contractors as they had insufficient authorised signatories for their banking arrangements. In addition, the transfer of some of the financial roles to an accounting firm, following the loss of a member of staff, had not been approved and could not be approved as the Committee was no longer quorate (medium).
- The Committee needs to urgently elect more board members, and a special General Meeting (SGM) was arranged to take place on 17 July 2023 with all nomination forms due to be received by 10 July 2023. If adequate nominations were not received or members elected, a contingency plan for continued operation of the TMO was required (medium).
- The surveys carried out by TMO, to check the satisfaction of the work carried out by a Contractor, indicated some dissatisfaction with the quality of work and lack of responses to the survey questions (medium).
- The structure chart for the TMO had not been updated since 2017 and a number of changes had occurred since then (low).

3.5 All of the recommendations were accepted and the SGM resulted in a number of new members being elected to the Committee which will enable the Committee to function effectively. All of the recommendations are due to be implemented by December 2023.