



# City of Westminster Committee Report

<b>Meeting:</b>	Audit and Performance Committee
<b>Date:</b>	18 July 2024
<b>Classification:</b>	General Release
<b>Title:</b>	Annual Report on Internal Audit and Internal Control - 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 This report summarises the work of Internal Audit in 2023/24, including an update on work completed since the previous report to the Committee, and provides the audit opinion of the Director of Audit, Fraud, Risk and Insurance on the adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion is provided for the use of Westminster City Council and is used to support its Annual Governance Statement.
- 1.2 From the Internal Audit work undertaken in the financial year 2023/24, reasonable assurance can be provided that systems of internal control in place are effective with the majority of the finalised audit work receiving a positive (substantial or satisfactory)

assurance opinion. Given the way in which the Audit Plan is constructed, it is not unusual for some reviews to be given a Limited Assurance rating and this does not indicate that there are any pervasive issues with the Council's control environment but that there are actions required in specific areas to improve control.

- 1.3 In all areas where control improvements are required and compliance with agreed systems could be improved, action plans are either in place, or have already been implemented, to remedy the weaknesses identified. The Council was found to be effective at implementing recommendations, where concerns in respect of controls were identified, with 79% of recommendations fully implemented, 14% partly implemented and 6% not yet implemented. All outstanding recommendations will be followed up by the internal audit team until they are completed.
- 1.4 Appendices to this report are as follows:
  - Appendix 1 Audits completed with assurance opinions, audits still in progress and changes made to the 2023/24 Internal Audit Plan.
  - Appendix 2 Final Progress Report 2023/24 (a summary of Internal Audit outcomes since the last report to Committee).
  - Appendix 3 External Quality Assurance (EQA) Report including Action Plan.

## **2. Recommendation**

- 2.1 The Committee to note the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment (para 5) and to consider whether there are any areas the Committee would like to explore further.

## **3. Reasons for Decision**

- 3.1 The work undertaken by the Internal Audit Service is reported to the Committee during the financial year. The outcomes of completed audits are considered as part of the Annual Assurance opinion provided by the Head of Internal Audit.

## **4. Background, including Policy Context**

- 4.1 The Audit and Accounts Regulations 2015 require the Council to conduct a review of effectiveness of the system of internal control. The in-house internal audit team is supplemented by resources from Mazars LLP under a Framework arrangement with the London Borough of Croydon and PwC under a Framework arrangement with the London Borough of Barnet.
- 4.2 Detailed reports on the performance and outcomes of the internal Audit work undertaken, have been presented to the Audit & Performance Committee during 2023/24, with a further update provided in Appendix 2 for recently completed reviews.

- 4.3 Wherever possible, when planned audits are postponed, alternative audit work is identified or alternative sources of assurance are sought. Some of the audits could not be started until late in the final quarter of the year and these are shown as in progress in Appendix 1 and some audits were no longer appropriate or deferred until a future year, by agreement with the service, which are also detailed in Appendix 1. The Internal Audit service has also liaised closely with the Council's senior managers to prioritise the audit work undertaken and to assist them in identifying other sources of assurance including the Director's Assurance Statements which were completed at the end of the financial year.
- 4.4 The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). One of the requirements of the PSIAS is that the Head of Audit confirms to the Committee, at least annually, the organisational independence of the internal audit activity. The [Internal Audit Charter](#) reinforces this requirement.

#### **Declaration of independence and objectivity**

The reporting and management arrangements in place are appropriate to ensure the organisational independence of the Internal Audit activity. Robust arrangements are in place to ensure that any threats to objectivity are managed at the individual auditor, engagement, functional and organisational levels. Nothing has occurred during the year that has impaired my personal independence or objectivity.

#### **Head of Internal Audit**

- 4.5 The Public Sector Internal Audit Standards (PSIAS) require an external quality assessment be undertaken at least every five years, although more frequent assessments may take place. The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or outsourced. Standard 1312 states:

*External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.*

- 4.6 The standards and interpreting guidance go on to clarify that the external assessor must conclude as to conformance with the Code of Ethics and the Standards. The lead assessor must demonstrate competence in the professional practice of internal auditing and the external assessment process. Neither the lead assessor or any members of the assessment team should have an actual or perceived conflict of interest and they must not be a part of, or under the control of, the organisation to which the internal audit activity belongs. The scope of the assessment must be agreed with an appropriate sponsor, such as the Director of Finance or the Chair of the Audit Committee.

4.7 Across London, the London Audit Group has organised a system of independently validated assessments. It has been agreed that self-assessments will be completed and that these will be validated by suitably qualified individuals or teams from other members of the group. The review of internal audit's performance across the shared service was undertaken by Paul Rock who is appropriately qualified, independent and has no actual or perceived conflicts of interest. The scope and approach for the assessment was agreed by the Executive Director of Resources at Royal Borough of Kensington and Chelsea.

4.8 The external review concluded that:

- The self-assessment was very thorough and well evidenced and covered both the Public Sector Internal Audit Standards as well as the Local Government Application Note produced by the Chartered Institute of Public Finance and Accountancy.
- Based on the self-assessment, supporting evidence and independent validation the internal audit services for Royal Borough of Kensington and Chelsea, City of Westminster and London Borough of Hammersmith and Fulham **generally conforms with the Public Sector Internal Audit Standards. This is the highest available rating.**

Generally Conforms	The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
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- The internal audit shared service is clearly delivering a high-quality service that is valued by all the authorities it serves. Of note is the approach to annual planning, which is agile and flexible. The service is recognised by stakeholders as extremely well led, respected and seen as supporting the organisations to achieve their respective objectives.

4.9 The external review, which includes definitions of the ratings available, and the 4.12 recommended actions where areas were considered to partially conform to the standards, is contained in Appendix 5.

4.10 In January 2024, the Institute of Internal Auditors published new Global Internal Audit Standards (GIAS). They will then replace the International Professional Practice Framework, the mandatory elements of which are the basis for the current UK public sector internal auditing standards (the PSIAS).

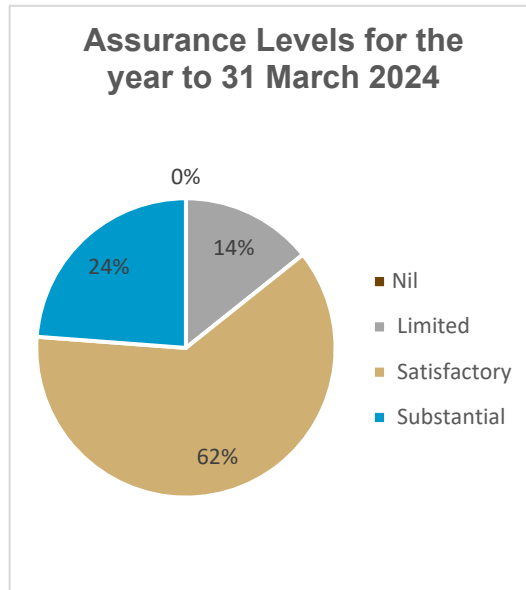
4.11 The PSIAS are issued under the authority of the Relevant Internal Audit Standard Setters (RIASS) who are HM Treasury, the Scottish Government, the Department of Finance Northern Ireland and the Welsh Government, the Department of Health and Social Care and the Chartered Institute of Public Finance and Accountancy. Between them the RIASS determine what standards or other requirements are applicable to the practice of internal auditing in central government, local government and the health sector across the UK.

- 4.12 The RIASS have agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector and have asked the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use.
- 4.13 Development of IASAB material will be progressed with appropriate consultation with UK practitioners and other stakeholders in UK public sector internal auditing. Having regard to the points raised by respondents the IASAB will prepare final material for application in the UK public sector together with guidance on transition. Subject to approval by the RIASS, these will be issued later in 2024 to allow sufficient time for preparation for implementation.
- 4.14 The effective date of the new material developed by IASAB will be 1 April 2025, to align with requirements for annual opinions and other relevant aspects of UK public sector governance which line up with the financial year. Until then, the existing PSIAS based on the old International Professional Practices Framework will continue to apply. The IASAB will review whether there are any issues in relation to assessment of conformance during the period from January to March 2025 and if needed will address these in the guidance on transition.
- 4.15 The Audit Service is currently reviewing their Audit Charter and Strategy to consider recommendations raised in the External Quality Assessment and to ensure that they align with the new GIAS. The amended Charter will be presented to the Audit Committee prior to April 2025 once the IASAB review, referred to above, has been completed.

## **5. Internal Audit Opinion**

- 5.1 As the provider of the internal audit service to Westminster City Council, the Director for Audit, Fraud, Risk and Insurance is required to provide the Section 151 Officer and the Audit & Performance Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. In giving this opinion, it should be noted that assurance can never be absolute. Even sound systems of internal control can only provide reasonable and not absolute assurance.
- 5.2 The opinion is that, at the time of preparing this report and based upon the work completed this year, the Council's governance, risk management and internal control systems in the areas audited were adequate. This is a positive opinion which means that the Council generally has effective internal control systems with most audits receiving a positive (substantial or satisfactory) assurance opinion.

**Chart showing assurance levels:**



5.3 In the above context it should be noted that:

- This opinion is based solely upon the areas reviewed and the progress made by the Council to action internal audit recommendations.
- Assurance can never be absolute neither can internal audit work be designed to identify or address all weaknesses that might exist.
- Responsibility for maintaining adequate and appropriate. systems of internal control resides with Council management, not internal audit.

5.4 Issues arising from Internal Audit work which have significant implications for the Council’s control assurance framework have been included in the Annual Governance Statement which is reported separately to this Committee. The monitoring process in respect of the Annual Governance Statement also ensures that follow up action is taken to remedy the key control weaknesses found.

**Limited Assurance Reviews**

5.5 There were a few areas where improvements in compliance with controls were needed with a total of three audits being designated as limited assurance as set out in the table below:

<b>Audited Area</b>	<b>Reported to Committee</b>
S106 & Community Infrastructure Levy (CIL)	February 2024
Digital & Innovation: O365 Configuration Review	July 2024
Digital & Innovation: Management of Third Parties	July 2024

## Substantial Assurance Reviews

5.6 Five Substantial Assurance reviews were issued in 2023/24:

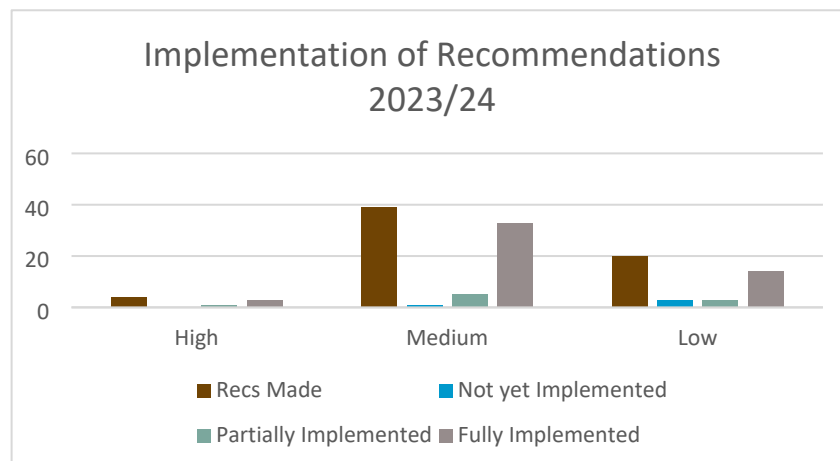
Audited Area	Reported to Committee
Corporate Property (2022/23)	July 2024
NNDR	July 2024
Housing Benefit	July 2024
Droop Street LD Hub	July 2024
Modern Slavery Strategy (2022/23)	October 2023

## 5.7 Follow ups

5.7.1 The implementation of audit recommendations is reported regularly to the Audit & Performance Committee. Follow up work is undertaken when most 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 partially implemented. Recommendations will be followed up until all high and medium priority recommendations are implemented or good progress in implementing them can be demonstrated. Where appropriate, the follow up is included in the next full audit of the area.

5.7.2 Sixty-three recommendations were followed up in 2023/24 and the implementation of medium and high priority recommendations had been consistently effective with 79% of all recommendations fully and 14% partially implemented (69% and 31% respectively in 2022/23). Four recommendations had not yet been implemented (1 medium and 3 low priority recommendations).

### Chart showing Implementation of Recommendations:



## 5.8 **Managed Services - Finance, HR & Payroll Systems**

5.8.1 The Council's Finance, HR and Payroll systems are provided by the Integrated Business Centre (IBC) within Hampshire County Council (HCC). During 2023/24, HCC commissioned a Type 2 Report on the suitability of the design and operating effectiveness of service organisation controls which was prepared in accordance with the International Standard on Assurance Engagements (ISAE) 3402. The Report covered a sample of business processes in the following areas:

- General Ledger
- Order to Cash
- Purchase to Pay
- Cash and Bank
- HR and Payroll
- IT General Controls.

The report was provided by HCC to the Executive Director of Finance and Resources and provided reasonable assurance that the control objectives would be achieved.

5.8.2 In addition to the assurances provided by HCC, the Council is required to apply complementary controls and a sample of these controls are tested during the year.

## 5.9 **Additional Sources of Assurance**

5.9.1 In addition to assurance audits undertaken during the year, the service has provided support and guidance in several areas including:

- Pensions Administration
- Finance & Governance within TMOs
- Implementation of Mosaic (Children's Services)
- Risk Management
- Housing Health & Safety

5.9.2 This type of engagement with the services is taken into account when considering the overall opinion of the Council's governance, risk management and internal control systems together with outcomes provided from internal compliance checks and assessments from external bodies such as Ofsted and the Care Quality Commission.

5.9.3 Internal Audit also supported a review of the effectiveness of the Audit and Performance Committee which is due to be reported to the Committee in July 2024.



## **6. Assurance on Risk Management**

- 6.1 The Council must ensure that it is delivering against priorities and requirements (political, community and statutory), that it is managing its processes effectively (finance, procurement, governance) and making the best use of its resources (money, assets, people). To ensure that outcomes are achieved for residents, businesses and visitors, the identification, evaluation and control of risks and issues needs to be appropriate to ensure that they are managed at acceptable levels and support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.
- 6.2 Risk and issue management should be aligned to the Council's business planning, financial management, transformation activities and performance management processes to ensure that it is a live process. A combination of strategic and operational registers is used to ensure that risks and issues are captured and addressed in an integrated way and the Executive Leadership Team reviews the Council's strategic risks on a regular basis.
- 6.3 An internal audit of risk management across the Council's departments was completed in 2023 which identified areas where improvements could be made to ensure there is consistency across the Council in how risks are managed and reported. The Council has updated its Risk Strategy and improved the system for recording strategic and key operational risks. Additional information on key risks, including strategic risks, is now included in the quarterly performance report which is discussed by the Executive Leadership Team and reported to the Audit and Performance Committee.
- 6.4 The Audit and Performance Committee receives regular reports on achievements against the Council's priorities, key performance indicators and risks. Directors provided additional information to the Committee during the financial year 2023/24 in the following areas:
- Procurement Update (September 2023)
  - Contract & Supplier Performance (September 2023)
  - Annual Complaints (October 2023)
  - Ethical Standards (February 2024)

## **7. Assurance on Corporate Governance Arrangements**

- 7.1 Each year, the Council's Directors complete an annual Director's Assurance Statement which is an opportunity for them to assess the governance arrangements and sources of assurance within their department. Any significant issues should be identified and would feed into the Council's Annual Governance Statement. Internal Audit periodically test the content of Director's Assurance Statements both to confirm their accuracy and to build upon our own picture of assurance across the Council.

7.2 In addition, from the work undertaken by Internal Audit, the Council's corporate governance framework is considered to comply with the best practice guidance on corporate governance issued by CIPFA/Solace.

## **8. Financial Implications**

8.1 There are no financial implications from this report.

## **9. Legal Implications**

9.1 There are no legal implications from this report.

## **10. Carbon Impact**

10.1 The decision will have no carbon impact.

## **11. Equalities Impact**

11.1 There are no equalities implications from this report.

## **12. Consultation**

12.1 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** Audits completed with assurance opinions, audits still in progress and changes made to the 2023/24 Internal Audit Plan.

**Appendix 2** Internal Audit Plan 2023/24 – Final Progress Report (a summary of Internal Audit outcomes since the last report to Committee).

**Appendix 3** External Quality Assurance (EQA) Report including Action Plan.

## **BACKGROUND PAPERS**

Internal Audit Reports  
Committee Progress Reports

## Internal Audit Plan – 2023/24

Audits completed in 2023/24

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
<b>Cross Cutting</b>	Risk Management	Jun-24	Advisory	0	10	6	Jul-24
<b>Finance &amp; Resources</b>	Corporate Property (2022/23)	Feb-24	Substantial	0	1	2	Jul-24
<b>Finance &amp; Resources</b>	Council Tax	Jun-24	Satisfactory	0	1	0	Jul-24
<b>Finance &amp; Resources</b>	NNDR	Jun-24	Substantial	0	0	0	Jul-24
<b>Finance &amp; Resources</b>	Housing Benefit	May-24	Substantial	0	0	1	Jul-24
<b>Digital &amp; Innovation</b>	IT Risk Management	Dec-23	Satisfactory	0	3	0	Jul-24
<b>Digital &amp; Innovation</b>	O365 Configuration Review	May-24	<b>Limited</b>	2	2	13	Jul-24
<b>Digital &amp; Innovation</b>	Third Party Contracts	Jun-24	<b>Limited</b>	2	1	0	Jul-24
<b>People Services</b>	Pensions Administration (on-going review)	Mar-24	Advisory	0	0	0	Jul-24
<b>Adult Social Care &amp; PH</b>	Lisson Grove Hub	Mar-24	Satisfactory	0	1	1	Jul-24
<b>Adult Social Care &amp; PH</b>	Droop Street LD Centre	Mar-24	Substantial	0	0	2	Jul-24
<b>Adult Social Care &amp; PH</b>	Flexible Response Service	Mar-24	Satisfactory	0	2	2	Jul-24
<b>Adult Social Care &amp; PH</b>	Home Care (Draft)	Jun-24	Satisfactory	1	2	2	Jul-24

## Internal Audit Plan – 2023/24

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
<b>Children's Services</b>	Supporting Families Claims	Mar-24	Satisfactory	0	0	0	Jul-24
<b>Children's Services</b>	Implementation of Mosaic	Mar-24	Advisory	0	0	0	Jul-24
<b>Schools</b>	Burdett Coutts Primary	May-24	Satisfactory	0	2	3	Jul-24
<b>Housing</b>	Leaseholders – Major Works (2022/23) (Draft)	Jun-24	Satisfactory	0	2	1	Jul-24
<b>Housing</b>	TMOs (Torridon)	Jan-24	Advisory	1	6	0	Jul-24
<b>Environment &amp; Communities</b>	Mortuary (Draft)	Jun-24	Satisfactory	0	4	3	Jul-24
<b>Schools</b>	Portman Early Childhood Centre (2022/23)	Dec-23	Satisfactory	0	6	7	Feb-24
<b>Housing</b>	Resident Satisfaction Surveys	Nov-23	Satisfactory	0	0	4	Feb-24
<b>Regeneration, Economy &amp; Planning</b>	S106 and CIL	Dec-23	<b>Limited</b>	0	7	1	Feb-24
<b>Children's Services</b>	Registrar Service (2022/23)	Aug-23	Satisfactory	0	4	6	Oct-23
<b>Housing</b>	Millbank Estate Management Organisation (MEMO)	Sep-23	Satisfactory	0	4	1	Oct-23
<b>Environment &amp; Communities</b>	Modern Slavery Strategy (2022/23)	Sep-23	Substantial	0	0	0	Oct-23

## Internal Audit Plan – 2023/24

**Audit work in progress**

Those audits commenced but not sufficiently complete at the end of the financial year, are not included in the assurance opinion for 2023/24. The outcomes from these reviews will be reported in a future Internal Audit Progress Report. The status of these reviews is shown below:

<b>Plan Area</b>	<b>Auditable Area</b>	<b>Status</b>
Cross Cutting	Below £100k Procurement	Review of monitoring and reporting in progress.
Public Health	Contract Monitoring – Drugs & Alcohol Contract	Fieldwork delayed in agreement with the service, commencing in April 2024.
Schools	St Vincent de Paul Primary	Fieldwork complete and draft report due.
Housing	Member's Enquiries & Complaints	Fieldwork complete and draft report due.
Housing	Rents	Fieldwork complete and draft report due.
Environment & Communities	Food Safety (light touch review)	Fieldwork complete and report due.

## Internal Audit Plan – 2023/24

**Changes to the 2023/24 Internal Audit Plan**

The table below shows audits removed from the 2022/23 plan, following discussions with management, or deferred to a future year.

<b>Plan Area</b>	<b>Auditable Area</b>	<b>Reason Audit not Undertaken</b>
Cross-cutting	Low Value/ High Risk Contracts (H&S)	Reviewed priorities and planned for 2024/25.
Cross-cutting	Climate Emergency Governance	Reviewed priorities and planned for 2024/25.
Cross-cutting	Business Continuity	Reviewed priorities and planned for 2024/25.
Cross-cutting	Scheme of Authorisation	Reviewed priorities to consider in a future year.
Finance & Resources	Corporate Health & Safety	Reviewed priorities to consider in a future year.
Corporate Services	Coroner Service	Agreed with the service to defer to 2024/25.
Adult Social Care	Market Management	Reviewed priorities to consider in a future year.
Adult Social Care	Direct Payments	Reviewed priorities to be considered in 2024/25.
Schools	St James' and St John's Primary	Agreed to defer to 2024/25 due to staff changes at the school.
Housing	HRA Recharges	Reviewed priorities to consider in a future year.
Housing	Health & Safety Compliance	Schedule of audits in key areas of compliance in 2024/25.
Housing	Repairs	Agreed with the service to defer to a future year.
Housing Needs	Temporary Accommodation	Reviewed priorities to consider in a future year.
Environment & Communities	Markets & Street Trading	Agreed with the service to defer until Q1 2024/25.
Environment & Communities	Parking Contracts	Agreed with the service to review for inclusion in 2024/25.
Environment & Communities	Contracted Services (various)	Agreed with the service to review for inclusion in future years.
Economy, Regeneration & Planning	Planning & Building Control (Building Safety Act)	Consider in a future year once new requirements established.
Economy, Regeneration & Planning	Project Review	Reviewed priorities to be considered in a future year.

**Internal Audit Plan 2023/24 – Final Progress Report  
(a summary of Internal Audit outcomes since the last report to Committee).**

**1. Executive Summary**

- 1.1 The work completed by the Council’s Internal Audit Service since the last report to the Committee found that, in the areas audited, internal control systems were generally effective with four substantial, nine satisfactory and two limited assurance reviews completed in the period (see paragraph 2.3).
- 1.2 The follow up review completed in the period for five audits confirmed that the implementation of recommendations has been effective with 94% of recommendations being fully or partly implemented at the time of review.

**2. Audit Outcomes**

- 2.1 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.

**Internal Audit Plan 2023/24 – Final Progress Report  
(a summary of Internal Audit outcomes since the last report to Committee).**

2.2 Recommendations are categorised according to the table below:

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.

2.3 Since the last report to Members, fifteen audits have been completed, four substantial, nine satisfactory and two limited assurance:

Service Area	Audit	Assurance
Finance & Resources	Corporate Property (2022/23)	<b>Substantial</b>
Finance & Resources	Council Tax	Satisfactory
Finance & Resources	NNDR	<b>Substantial</b>
Finance & Resources	Housing Benefit	<b>Substantial</b>
Digital & Innovation	IT – Risk Management	Satisfactory
Digital & Innovation	O365 Configuration Review (exempt agenda)	Limited
Digital & Innovation	Third Party Contracts (see para 2.4)	Limited
Adult Social Care & PH	Lisson Grove Hub	Satisfactory
Adult Social Care & PH	Droop Street LD Centre	<b>Substantial</b>
Adult Social Care & PH	Flexible Response	Satisfactory
Adult Social Care & PH	Home Care (Draft)	Satisfactory
Children's Services	Supporting Families Claims	Satisfactory
Schools	Burdett Coutts Primary	Satisfactory
Housing	Leaseholders – Major Works (2022/23)	Satisfactory
Environment & Communities	Mortuary (Draft)	Satisfactory



**Internal Audit Plan 2023/24 – Final Progress Report  
(a summary of Internal Audit outcomes since the last report to Committee).**

**2.4 Digital & Innovation: Third Party Contracts (limited assurance)**

- 2.4.1 IT third parties are essential for the Council's operations; however, onboarding and managing these external partners presents challenges and risks. This audit assessed the adequacy and effectiveness of controls designed and operating for managing risks around the Council's strategic IT third parties. Effective third-party management helps the Council identify, assess, and mitigate risks relating to IT service delivery which includes evaluating security protocols, data protection measures, compliance with regulations, and contingency plans at the third party to minimise the impact of potential disruptions.
- 2.4.2 The Council has developed a "Contract Management Framework" (November 2023) to set out operating principles for effective management, that staff who are managing supplier relationships and contracts can utilise. Its key aims are to provide consistency and definition to approach, value for money, roles and responsibilities, risk controls and skilled resources. These principles have been applied to the Council's major supplies and contracts ("Platinum" and "Silver").
- 2.4.3 From the IT contract register, the Council is spending around £5.52 million on IT services annually and utilising 24 separate IT third-party contracts. The IT contract register is manually maintained within the Council's Digital & Innovation (D&I) function by a Finance and Contracts Officer with various contract managers responsible for the relationships and performance of specific contractors.
- 2.4.4 The audit identified the following areas of good practice:
- An established and documented Council-wide contract management framework which effectively outlines how contract managers should manage contracts.
  - External attestation reports, including ISO27001 certification, have undergone meticulous review by IT. This scrutiny aims to obtain adequate assurance regarding the effectiveness of internal controls maintained by third-party IT entities.
  - Security details around confidentiality, integrity and availability of data were explicitly documented in all sampled contracts.
  - The IT third-party inventory is maintained and contains appropriate details.
- 2.4.5 Three recommendations were made to address weaknesses in the following areas:
- Although the Contract Management Framework was only published in early November 2023, at the time of the audit (March 2024), some of the contract managers were unaware of it and the expectation for staff responsible for overseeing Platinum and Silver contracts to complete a tailored Contract Management Plan (completion due by 31 January 2024) for each contract. In addition, training through an e-learning module, which was expected to be completed by all contract managers by 31 January 2024, had not been completed (high).  
**The service confirmed that they will obtain an updated list of employees who have not completed the training and will track this to ensure training is undertaken (end of June 2024).**  
**In addition, in conjunction with colleagues in Procurement and Commercial Services, Contract Management Plans will be completed with closer tracking in place going forward on the status of contracts within the Digital & Innovation service (September 2024).**

**Internal Audit Plan 2023/24 – Final Progress Report  
(a summary of Internal Audit outcomes since the last report to Committee).**

- Completion of a Data Protection Impact Assessment (DPIA) is a requirement of the General Data Protection Regulation (GDPR) whenever engaging with a new supplier or adopting new technology that involves processing personal data. Testing identified an incomplete DPIA for one contract reviewed and, in another case, the completed DPIA could not be located (high).

**The service has confirmed that the step to complete a DPIA will be a mandatory requirement prior to any contract sign off (ongoing).**

**In addition, a log is retained of all DPIAs received and completed with all DPIAs held by the Information Governance Team. The service will review all current contracts to ensure that a DPIA has been completed and retained (June 2024).**

- Supporting documentation could not be provided for some of the audit tests, such as third-party assurance reports which provide a formal declaration of compliance with specified requirements such as service levels, data security and other contractual obligations. Third party assurance reports are typically provided by an independent person, often an auditor, and should be obtained as part of effective contract management and oversight of the contract (medium).

**The service will run “an audit” every 6 months to review the portal (currently CAP-E) to review the completeness and accuracy of the data held in respect of their contracts (first review to be done by end of June 2024).**

**The service will also ensure that contract owners have received the relevant training and support to navigate the portal (CAP-E) (end of September 2024) with additional training provided when the Council moves to a new system (Jaggaer).**

## 2.5 Advisory Reviews

2.5.1 In addition, four advisory reviews/support have been completed in the following areas:

- Risk Management
- Pensions Administration
- New Case Management System (Mosaic) - Children's Services
- TMO – Finance and Governance (Torridon)

Recommendations arising from advisory reports are followed up and the implementation of these recommendations are reported in summary to the Committee.

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### 3. Implementation of Audit Recommendations

- 3.1 Five follow-up reviews were undertaken in the period which confirmed that the implementation of recommendations had been effective with 94% of recommendations being fully or partially implemented at the time of review:

<b>Audit</b>	<b>Recs Made*</b>	<b>Implemented*</b>	<b>In Progress*</b>	<b>Not yet actioned*</b>
St Mary's Bryanston Square Primary School	9 (6M, 3L)	9 (6M, 3L)	0	0
Westco	5 (3M, 2L)	3 (2M, 1L)	0	2 (1M, 1L)
Housing Lift Maintenance	3 (2M, 1L)	3 (2M, 1L)	0	0
St George's Hanover Square Primary School	8 (4M, 4L)	8 (4M, 4L)	0	0
Registrar Service	10 (4M, 6L)	8 (4M, 4L)	2 (L)	0
Total High Priority	0	0	0	0
Total Medium Priority	19	18	0	1
Total Low Priority	16	13	2	1
<b>Totals</b>	<b>35</b>	<b>31 (88%)</b>	<b>2 (6%)</b>	<b>2 (6%)</b>

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

- 3.2 Follow up work is undertaken when most 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.

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- 3.3 The one medium priority recommendation not fully implemented at the time of the follow up is summarised in the table below and further follow up will be undertaken to confirm implementation.

<b>Ref</b>	<b>Audit</b>	<b>High Priority</b>	<b>Medium Priority</b>	<b>Recommendation(s) in progress/ not implemented</b>	<b>Status</b>	<b>Revised Implementation Date</b>
1	Westco (satisfactory Audit issued: 2022 Follow up: Oct-23	0	1	Westco Trading Company should Register with the Information Commissioner's Office and retain evidence of this registration.	Legal to clarify position re registration with the ICO. This rec needs to be considered in respect of all wholly owned companies.	Dec-2023