



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	5 February 2019
Classification:	For General Release
Title:	Internal Audit Plan 2019/20
Wards Affected:	All
Financial Summary:	The Council's budget
Report of:	David Hodgkinson (Deputy Section 151 Officer)
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1. Executive Summary

- 1.1 The Internal Audit Plan has been reviewed to reflect the changes in the Council's structure and to ensure that our audit work addresses key risks during a period of change and general financial constraints. The Audit Plan will include sufficient audit coverage to enable us to provide an overall opinion on the Council's control framework and is sufficiently flexible to allow for additional reviews to be added in areas where support and/or advice may be required.
- 1.2 The draft Audit Plan for 2019/20 is contained in Appendix 1 to this report.

2. Recommendation

That the Committee review the draft internal audit plan for 2019/20 as set out in Appendix 1 and consider:

- Does the plan cover the organisation's key risks as they are recognised by the Members of the Audit & Performance Committee?
- Does the plan reflect the areas that the Members of the Audit & Performance Committee believe should be covered as priority?
- Are the Members of the Audit & Performance Committee satisfied that sufficient assurances are being received to monitor the organisation's risk

profile effectively, including any emerging issues / key risks not included in our annual plan?

3. Background, including Policy Context

3.1 The Council's internal audit service is managed by the Shared Services Director for Audit, Fraud, Risk and Insurance. Audits are undertaken by the in house audit team or by the external contractor 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 & Performance Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. This opinion is predominantly based on the outcomes from the audit work undertaken each year. The Audit & Performance Committee are provided with updates at each meeting on all limited and no assurance audits issued in the period.

A description of each level of assurance is shown below:

Assurance Level	Details
Substantial assurance	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and no significant errors or weaknesses were found.
Satisfactory assurance	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited assurance	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No assurance	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

3.2 The draft Internal Audit Plan for 2019/20 is attached as Appendix 1 to this report. It should be noted that this Plan is an early draft, intended to identify key areas of risk for audit focus, and will be subject to some amendment before the final Plan is published in March 2019. In addition, it is recognised that changes in priorities arise during the course of a year and the Audit Plan will be reviewed on a regular basis to reflect these changes. Changes to the Plan will be reported to the Committee during the year as they arise.

- 3.3 The Internal Audit Plan, once finalised, will include sufficient audit coverage to enable an overall annual opinion to be reached on the Council's control framework as well as including a contingency allowance for additional reviews in areas where support and/or advice may be required, as agreed with the Council's Section 151 Officer.
- 3.4 The Audit & Performance Committee Members are reminded that internal audit is only one source of assurance and through the delivery of our plan, we will not, and do not, seek to cover all risks and processes at the Council. We will however, seek to work closely with other assurance providers, such as External Audit, to ensure that duplication is minimised and a suitable breadth of assurance obtained.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

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BACKGROUND PAPERS

Internal Audit Planning Files

Business Plans and Strategic Risk Registers

Westminster City Council

Draft Internal Audit Plan

2019/20

VI - JANUARY 2019



City of Westminster

Draft Audit Plan
(reviewed by Audit & Performance Committee – 5 February 2019)

1. Introduction

- 1.1 The draft Internal Audit Plan identifies the key areas within the Council where we expect to utilise our resources during 2019/10. The content of the draft Plan is informed by the Council's key priorities, significant emerging and current risks as identified in the Council's Risk Registers (see final page of this report) as well as changes made to Council systems, structures and service delivery. Areas of high risk have been identified and included in the Plan as well as cyclical and thematic reviews in areas of lower financial risk (e.g. schools).
- 1.2 The draft Plan will be discussed with Senior Managers at the Council and individual audits identified for completion during the year. The Plan is flexible to allow for change where areas of higher priority are identified whilst ensuring that sufficient internal audit coverage is provided to enable the Director for Internal Audit, Fraud, Risk and Insurance to provide the Council with an opinion at the end of the year on the adequacy of the Council's internal control, risk management and governance arrangements.
- 1.3 In addition, areas of fraud risk have been identified and evaluated by the Corporate Anti-Fraud Service and this information will be used to inform and focus the scope of some of the planned audits as well as identifying areas where pro-active exercises and data analytics can provide additional assurance that fraud risks are effectively managed (see Section 3 of this report).

2. Audit Resources

- 2.1 The table below shows an **estimate** of the audit resources required to fulfil the Council's Audit Plan for the 2019/20 financial year (with 2018/19 figures for comparison purposes). In areas where services are provided on a shared basis with other councils, the number of days assigned to the audit is shared across the Councils.

Draft Audit Plan
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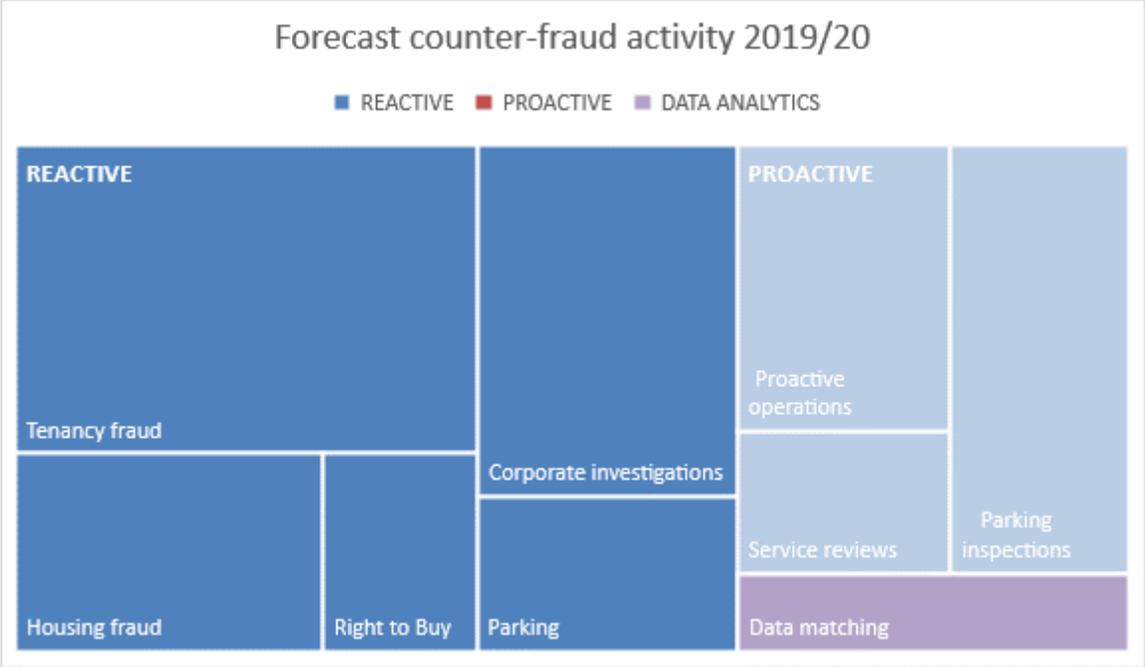
Audit Coverage	Westminster Council Estimated Planned Audit Days	
	2019/20	2018/19
Adult Social Care & Public Health*	130	130
Children's Services*	130	130
Finance & Resources (including IT and Procurement)*	470	415
HR	80	180
Legal Services	30	35
Policy, Performance and Communications	30	45
Growth, Planning Housing	180	150
City Management & Communities*	180	150
Contingency/ Management	195	195
Audit Days	1,425	1,425

*These areas include Shared Services audits. The days for shared service audits are apportioned across the councils.

Draft Audit Plan
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3. Corporate Anti-Fraud Service

3.1 The work undertaken by the Corporate Anti-Fraud Service (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 during 2019/20 by CAFS in the following areas:



Draft Audit Plan
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3.2 The table below shows the different areas of CAFS activity planned during 2019/20 together with an **estimate** of the resources planned against each activity:

Anticipated reactive referrals (days)	
Tenancy fraud	280
Right to Buy	60
Housing fraud	120
Corporate investigations	180
Parking	80
Proactive activity (days)	
Service reviews (fraudits)	60
Proactive operations	120
Parking inspections	150
Data analytics (days)	
Data matching	50
Total days allocated	1,110

Draft Audit Plan
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The draft Audit Plan for each of the Council’s Departments is shown below. Where possible, the auditable area is aligned with risk(s) identified from reviewing the Council’s Risk Registers (see final page of this report).

Adult Social Care (ASC) & Public Health (PH):

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Service Change	Following the disaggregation of services to bi-borough from tri-borough, review the system and controls in place in areas such as: <ul style="list-style-type: none"> • Client Affairs; • Direct Payments; • Financial Assessments. 	2	High	4
Information Management & Continuity of Systems	Review of compliance with statutory requirements on the use of control over sensitive data (ASC, PH and CHS).	3	High	2
Procurement & Contract Management	To review a sample of: <ul style="list-style-type: none"> • current procurements for compliance with the requirements of the Procurement Code; • existing contracts to ensure that appropriate contract management arrangements are in place. 	1 to 3	High	3
Cyclical Compliance and/or establishment reviews	To consider a programme of compliance reviews covering areas such as: <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • GDPR (see also Information Governance review); • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. 	2	High	1, 4 2 5

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Children’s Services:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Service Change	Review systems and controls following review of service provision. Areas to be considered for review include: <ul style="list-style-type: none"> • Early Help – Q3; • Early Years – Q3; • Youth Service - TBC. 	2 to 3	High	4
Information Management & Continuity of Systems	Review of compliance with statutory requirements on the use of control over sensitive data (ASC, PH and CHS).	3	High	2
Family Services, Safeguarding Social Work	Potential areas to include: <ul style="list-style-type: none"> • Review of Supporting People claims; • Safeguarding (work of the Safeguarding Board and sovereign based Committees). 	1 to 4	High	1 4, 5
Procurement & Contract Management	To review a sample of: <ul style="list-style-type: none"> • current procurements for compliance with the requirements of the Procurement Code; • existing contracts to ensure that appropriate contract management arrangements are in place. 	1 to 3	High	3
Cyclical Compliance and/or establishment reviews	To consider a programme of compliance reviews covering areas such as: <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • GDPR, Caldicott Guardian (see also Information Governance review); • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. 	2	High	1, 4 2 5

Schools:

Auditable Area	Potential Scope	Quarter	Priority	Risk
Targeted Reviews: <ul style="list-style-type: none"> • To be agreed with Schools Finance? 	All schools previously receiving limited assurance or identified with issues from Ofsted reviews or projected budget deficit. Schools to be included not yet confirmed.	1-4	Medium	1, 4
Thematic Reviews:	Undertake thematic reviews across the school population to review compliance. Potential areas to include: <ul style="list-style-type: none"> • Health & Safety Compliance; • Recruitment; • IR35 Compliance; • GDPR & IT Security. 	1-4	High	various

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Finance & Resources:

Finance Related Audits:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Financial Management System	Assurances on the adequacy of security and controls within the new HR, Payroll and Finance systems will be discussed with the provider and will form part of the audit work undertaken in these areas.	2	High	1, 4
Budgetary Control, Accounts Payable, Accounts Receivable & Income Management	Review of effectiveness of controls within the Services and the Council's Finance Teams following implementation of the new financial management system.	2 to 4	High	1, 4
Procurement & Contract Management	To review a sample of: <ul style="list-style-type: none"> • current procurements for compliance with the requirements of the Procurement Code; • existing contracts to ensure that appropriate contract management arrangements are in place. 	1 to 3	High	3
Revenues & Benefits	Cyclical programme of audits to be agreed with the Director of Finance & Resources. To supplement not duplicate work undertaken by external audit covering: <ul style="list-style-type: none"> • Council Tax; • Housing Benefit; • NNDR. 	3 to 4	Medium	1
Cyclical Compliance and/ or establishment reviews	To consider a programme of compliance reviews covering areas such as: <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • GDPR; • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. 	2	High	1, 4 2 5

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ICT Related Audits:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Information Management & Continuity of Systems	<p>Areas that may be reviewed:</p> <ul style="list-style-type: none"> • IT Governance - Risk management, investment appraisal, culture and training; • Cyber Security; • IT Resilience and service continuity; • Access Management; • Data Analytics – Data Governance and Data Quality; • Asset Management (hardware and software) and ownership or applications. 	2 to 3	High	2.
Procurement & Contract Management	<p>To review a sample of:</p> <ul style="list-style-type: none"> • current procurements for compliance with the requirements of the Procurement Code; • existing contracts to ensure that appropriate contract management arrangements are in place. 	1 to 3	High	3
Cyclical Compliance and/ or establishment reviews	<p>To consider a programme of compliance reviews covering areas such as:</p> <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • GDPR; • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. 	2	High	1, 4 2 5

Procurement Related Audits:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Procurement - Governance	Arrangements in place for the appropriate governance and management of procurement. This is a systems review focused on the work undertaken within the Procurement Team (compliance with procedures and governance arrangements for a sample of individual procurements will be reviewed across the Departments).	1	High	3
Programme/ Project Management/ New Systems	Placeholder. Any programme or project involvement will be identified as required.	TBC	TBC	3, 4

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HR

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Pensions Admin	Consideration of new managed service provider and integration with the service provided by Surrey CC (including production of pension returns)	1 to 2	High	1, 4
Payroll	Scope of audit to be determined following discussion with new service provider (focus will be on Council compliance with system controls and may involve some form of continuous auditing).	1 to 3	High	1, 4
Learning & Development Tools	Review of new system, controls and compliance.	1 to 2	High	4, 5
Procurement & Contract Management	To review a sample of: <ul style="list-style-type: none"> • current procurements for compliance with the requirements of the Procurement Code; • existing contracts to ensure that appropriate contract management arrangements are in place. 	1 to 3	High	3
Cyclical Compliance and/ or establishment reviews	Assurances on the adequacy of security and controls within the new HR, Payroll and Finance systems will be discussed with the provider and will form part of the audit work undertaken in these areas. Areas where compliance reviews may be undertaken within the departments but may impact on the HR service are summarised below: <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • GDPR; • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. 	2	High	1, 4 2 5

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Legal Services:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Governance	Review the processes for ensuring that the Council's governance arrangements are robust and are reviewed and reported on at the appropriate level and frequency. May include a review of the role of the S151 Officer and completion of the CIPFA toolkit for Effective Audit Committees – review likely to include some areas of the Policy, Performance & Communications Department.	2	High	5
Cyclical Compliance and/ or establishment reviews	To consider a programme of compliance reviews covering areas such as: <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • GDPR; • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. 	2	High	1, 4 2 5

Policy, Performance & Communications:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Governance	See Legal Services Plan – likely to involve both Departments.	See Legal Services Plan	See Legal Services Plan	See Legal Services Plan
Risk Management	Review of the processes in place for the effective identification and reporting of risks and how these risks are being managed – sample review of departmental risk management processes.	3	High	5
Cyclical Compliance and/ or establishment reviews	To consider a programme of compliance reviews covering areas such as: <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • GDPR; • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. 	2	High	1, 4 2 5

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Growth, Planning & Housing:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Housing Management	To review processes following the move of housing management functions from CWH to the Council. Audits could include: <ul style="list-style-type: none"> • Major Works, lessee and service charges (deferred from 2018/19); • Management of TMOs - appropriate support and oversight is provided to the TMOs (deferred from 2018/19) and follow up on previous audit work within the TMOs; • Repairs Service. 	1 to 3	High	4
Property Services	Ongoing review of the effectiveness of arrangements for ensuring Health & Safety requirements are in place and appropriately inspected (cross over with CMC) – audit review commenced in 2018/19.	1 to 3	High	4
Property Services	To review the processes in place following the transfer of responsibility for TFM from Amey to the Council, including a review of contracts, property records, health and safety responsibilities etc...	1 to 2	High	4
Procurement & Contract Management	To review a sample of: <ul style="list-style-type: none"> • current procurements for compliance with the requirements of the Procurement Code; • existing contracts to ensure that appropriate contract management arrangements are in place. May include: <ul style="list-style-type: none"> • Housing Related Support Contracts; • Place Shaping. 	1 to 3	High	3
Income – Property & Housing	Identify major income generating areas. Review a sample as to how effective they are at achieving income targets and identifying areas of strength and weakness to inform decision making.	2	High	1
Cyclical Compliance and/ or establishment reviews	Establishments: To be discussed with the service but may include housing TMOs, estate managed community facilities etc. Compliance: To consider a programme of compliance reviews covering areas such as: <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • GDPR; • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. 	2 to 4	High	1, 4 2 5

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City Management & Communities:

Auditable Area:	Potential Audit Scope:	Quarter	Priority	Risk Ref
Health & Safety	Ongoing review of the effectiveness of arrangements for ensuring Health & Safety requirements are in place and appropriately inspected (cross over with GPH) – audit review commenced in 2018/19.	1 to 3	High	4, 5
Effective Neighbourhood Working	Governance, operating model, compliance with legislation etc. (Similar to review of Libraries operating model previously undertaken).	2	Medium	5
Contingency Planning	Major Incident Management: Business Continuity and Emergency Planning.	1	High	1, 2, 5
Procurement & Contract Management	To review a sample of: <ul style="list-style-type: none"> • current procurements for compliance with the requirements of the Procurement Code; • existing contracts to ensure that appropriate contract management arrangements are in place. May include: <ul style="list-style-type: none"> • Public Realm Schemes (highways risks); • Waste Strategy. 	1 to 3	High	3
Registrar Service	Review of effectiveness of service improvement and impact on income generation.	1	Medium	1, 4, 5
Library Service	Effectiveness of the TOM for the service and impact of separating the service from tri-borough to bi-borough.	3	Medium	1, 5
Cyclical Compliance and/ or establishment reviews	Establishments: <ul style="list-style-type: none"> • Mortuary; • Coroners. Compliance: To consider a programme of compliance reviews covering areas such as: <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • GDPR; • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. 	1 to 3	Medium High	1, 2, 5

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Risks identified from the Council's Risk Registers

The risks identified from the Council's Risk Registers are summarised below. Where possible, audits in the plan will be linked to identified risk(s).

Risk Ref	Risk Description
1.	<p>Financial - pressures resulting from increase in demand for services, reduced funding or predicted income, slowdown in the economy and inflationary pressures:</p> <ul style="list-style-type: none"> • Financial pressures resulting from the increases in demand in Adult Social Care, the fragility of the market and the increasing complexity of cases; • Adverse impact on Public Health Investment in other Council departments due to departmental budget pressures; • Increasing demand for placements if Looked after Children numbers rise, due to increases in Unaccompanied Asylum Seekers (UASC); • Delivery of core service in Children's Services within budget, identification of growth bids and identification of budget savings. • Budgets not balanced, services overspend, delays to projects and under-achieving income targets; • Increase in business rates appeals; • Review of funding formula; • Ability to deliver the capital programme; • Managing public expectation during a time of austerity (see also change); • Increase in pressure on Housing Options as a result of the requirements of the Homelessness Reduction Act; • Supply of private sector housing affordable to households on benefits does not meet demand from the Council's statutory requirements; • Ability to deliver savings in respect of Supported Housing; • Viability of Regeneration schemes - a scheme may not be attractive in commercial terms and/or provide the appropriate outcome for the residents, visitors and businesses; • Decline in income from on street parking.
2.	<p>Information Management and Continuity of Systems:</p> <ul style="list-style-type: none"> • Management of information in compliance with the requirements of GDPR and minimising the risk of loss of information or inappropriate disclosure; • Weaknesses in Information Governance structures could result in data breaches or accidental loss of key information; • Loss of systems due to either systems failure or cyber- attack; • Strong security hygiene policies and user awareness; • IT Health Checks and compliance such as PCI; • Implementation of Windows 10;
3.	<p>Procurement and Management of Suppliers:</p> <ul style="list-style-type: none"> • Compliance with Standing Orders, the Procurement Code and regulatory framework for procurement to minimise the risk of provider challenge; • Weak supplier resilience which could result in supplier bankruptcy or other service failure; • Effective management of contracts to ensure deliverables are received and value for money achieved.

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Risk Ref	Risk Description
4.	<p>Impact of change:</p> <ul style="list-style-type: none"> • Failure in service continuity/ safeguarding arrangements arising from changes in shared service arrangements; • Effective operating models and financial standards need to be maintained in schools in readiness for the introduction of the National Funding Formula, to minimise the risk of schools developing budget deficits; • Implementation of the Family Story Phase 2 Programme; • The effectiveness and accuracy of information must be maintained following the implementation of the new Enterprise Resource Planning system and Managed Services model (relating to HR, Payroll and Finance); • Managing public expectation during a time of austerity (proactively communicate changes to residents); • Support to services with Policy and programme management relating to change; • Impact of Brexit on the Council and local economy; • Maintaining an effective housing management service post transfer of responsibilities from CWH to the Council; • Effective transfer of services from Amey to the Council (including responsibility for health and safety compliance); • The effectiveness of the Safer Westminster Partnership (SWP) and resources needs to be maintained following the changes in the Police Basic Command Unit (BCU).
5.	<p>Council Priorities: Civic Leadership, Opportunity & Fairness and World Class City:</p> <ul style="list-style-type: none"> • Maintaining appropriate and effective governance and high ethical standards by all staff and Council Members; • Ensure compliance with statutory requirements and provide a safe environment for staff, residents and visitors; • Effectiveness of partnership arrangements and the multi-agency approach to support vulnerable people using the streets during the day and to reduce anti-social behaviour and criminality; • Implementation of an effective Waste Strategy that has a positive impact on residents, businesses and visitors to the City; • Effectiveness of Council's work with responsible agencies to support the delivery of the Government's Counter-Terrorism Strategy (CONTEST).