



City of Westminster

Audit and Performance Committee Report

Date:	21 July 2022
Classification:	For General Release
Title:	Annual Report on Internal Audit and Internal Control - 2021/22
Wards Affected:	All
City for All Summary	Internal audit provides assurance to the Council that it has robust systems and controls in place to meet its priorities
Financial Summary:	There are no financial implications arising from this report
Report of:	Gerald Almeroth, Executive Director of Finance and Resources
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1. Executive Summary

- 1.1 This report summarises the work of Internal Audit in 2021/22, including an update on work completed since the previous report to the Committee, and provides the audit opinion of the Shared Services 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 2021/22, reasonable assurance can be provided that systems of internal control in place are effective with 86% of the audits undertaken receiving a positive (substantial or satisfactory) assurance opinion (95% in 2020/21). 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 whilst three limited assurance reviews have been concluded for 2021/22, 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:

Service	Audit	Reported to Committee
Children's	Direct Payments & Payments Team	February 2022
Environment & City Management	Food Safety	September 2021
Environment & City Management	Sayers Croft Outdoor Learning Centre	February 2022

- 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. It should be noted that follow-up reviews have been undertaken in all of the areas reported as limited assurance which confirmed that good progress was being made to implement the recommendations with 57% fully implemented (up from 50% in 2020/21) and 43% partly implemented. These will be followed up by the internal audit team until they are completed.
- 1.4 The Council was found to be effective, in most areas, at implementing recommendations where concerns in respect of controls were identified.
- 1.5 Appendices to this report are as follows:
- Appendix 1 Audits completed with assurance opinions, audits still in progress and changes made to the 2021/22 Internal Audit Plan.
 - Appendix 2 A summary of Internal Audit outcomes since the last report to Committee.

2. Recommendation

The Committee note and comment on the report.

3. Background, including Policy Context

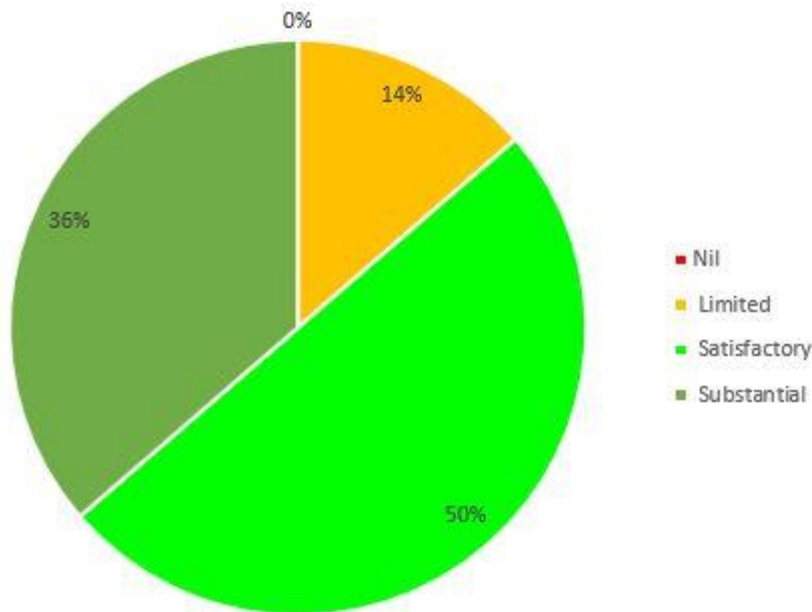
- 3.1 The Audit and Accounts Regulations 2015 require the Council to conduct a review of effectiveness of the system of internal control. The in-house internal audit team is supplemented by resources from Mazars LLP under a Framework arrangement with the London Borough of Croydon and PwC under a Framework arrangement with the London Borough of Barnet.

- 3.2 Detailed reports on the performance and outcomes of the internal Audit work undertaken, have been presented quarterly to the Audit & Performance Committee during 2021/22, with a further update provided in Appendix 2 for recently completed reviews.
- 3.3 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 a small number of audits were deferred until 2022/23, 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.
- 3.4 The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). During 2021/22 the Internal Audit Service undertook a self-assessment to verify PSIAS compliance which has identified general compliance with the Standards. Some improvements in reporting and planning have been identified which have been implemented in 2021/22.

4. Internal Audit Opinion

- 4.1 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.
- 4.2 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, with the exception of those areas detailed as Limited Assurance audits (see paragraph 1.2 and Appendix 1). This is a positive opinion which means that the Council generally has effective internal control systems with 86% of audits receiving a positive (substantial or satisfactory) assurance opinion (95% 2020/21).

Assurance Levels for the year to 31 March 2022



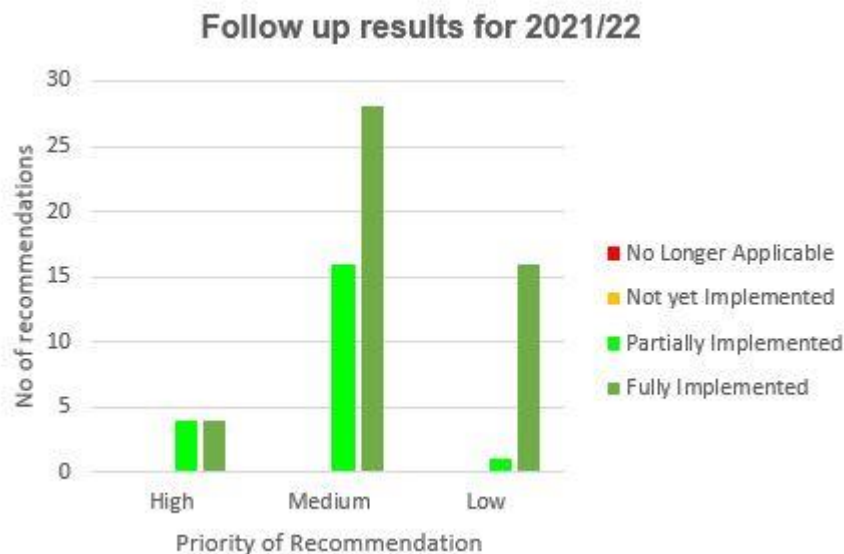
4.3 In the above context it should be noted that:

- 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.

4.4 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.

4.5 Follow ups

- 4.5.1 The implementation of audit recommendations is reported regularly to the Audit & Performance Committee. 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 partly 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.
- 4.5.2 Sixty-nine recommendations were followed up in 2021/22 and the implementation of medium and high priority recommendations had been consistently effective with 62% of recommendations fully implemented and the remaining 38% partly implemented.



4.6 Managed Services - Finance, HR & Payroll Systems

- 4.6.1 The Council's Finance, HR and Payroll systems are provided by the Integrated Business Centre (IBC) within Hampshire County Council (HCC). During 2021/22, 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 was provided to the Executive Director of Finance and Resources and provided reasonable assurance that the control objectives would be achieved.
- 4.6.2 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.

4.7 Additional Sources of Assurance

4.7.1 In addition to assurance audits undertaken during the year, the service has provided support and guidance in a number of areas including:

- Covid-19 Grant Claims
- Housing health and safety
- Procurement Governance
- IT Access and Asset Management
- FM Code Compliance
- Service Transformation

4.7.2 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. Assurance on Risk Management

5.1 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 Council has adopted recognised best practice in the identification, evaluation and control of risks and issues to ensure that they are managed at acceptable levels. The risk management process has clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.

5.2 Risk and issue management are 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.

5.3 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 2021-22m in the following areas:

- Procurement Services (July 2021)
- Contract Performance (September 2021)
- Health and Safety in Schools (December 2021)
- Performance Report – Metropolitan Police Service (February 2022)
- Immunisations (February 2022).

6. Assurance on Corporate Governance Arrangements

6.1 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.

6.2 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.

7. Financial Implications

7.1 The internal audit plan is delivered within the revenue budget for the service. Actions required as a result of audit work, and any associated costs, are the responsibility of the service managers and directors responsible for the areas that are reviewed.

7.2 There are no financial implications arising from this report.

8. Legal Implications

8.1 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:

- Facilitates the effective exercise of its functions and the achievement of its aims and objectives.
- Ensures that the financial and operational management of the authority is effective, and
- Includes effective arrangements for the management of risk.

8.2 Regulation 5 requires the Council to ensure that it undertakes an effective internal audit to evaluate the effectiveness of its risk management of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

8.3 There are no legal implications arising from this report.

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 Reports
Committee Progress Reports

Internal Audit Plan – 2021/22

Audits completed in 2021/22

Plan Area	Auditable Area	Issued	Assurance level given	High Priority Recs	Med. Priority Recs	Low Priority Recs	Reported to Committee
Cross-cutting	S113 Agreements Governance	Nov-2021	Advisory	1	0	0	Jul-2022
	Financial, Pay and HR controls Compliance	On-going	Satisfactory	0	0	0	Jul-2022
Finance & Resources	NNDR	Jul-2021	Substantial	0	0	1	Sept-2021
	Income Compensation Claim	Jul-2021	Advisory	0	0	0	Dec-2021
	Investment Property Management	Nov-2021	Advisory	2	6	1	Dec-2021
	Treasury Management (2020/21)	Nov-2021	Substantial	0	0	1	Feb-2022
	IT: Asset & Access Management	Dec-2021	Advisory	0	5	2	Feb-2022
	Covid – Enforcement & Surge Funding Claim	May-2021	Advisory	0	0	0	Jul-2022
	Housing Benefit	Jun-2022	Satisfactory	0	2	0	Jul-2022
	Council Tax	Jun-2022	Substantial	0	0	0	Jul-2022
	FM Code	On-going	Advisory	0	0	0	Jul-2022
Children's Services	Direct Payments & Payments Team	Nov-2021	Limited	1	5	1	Feb-2022
	Supporting People Claims	On-going	Satisfactory	0	0	0	Jul-22

Internal Audit Plan – 2021/22

Plan Area	Auditable Area	Issued	Assurance level given	High Priority Recs	Med. Priority Recs	Low Priority Recs	Reported to Committee
Schools	St Peter's Primary (Eaton Sq) (2020/21)	Aug-2021	Satisfactory	0	5	2	Sep-2021
	Robinsfield Primary (2020/21)	Jul-2021	Satisfactory	0	2	0	Sep-2021
	Christchurch Bentinck Primary	Sep-2021	Substantial	0	0	5	Dec-2021
	St Luke's Primary	Sep-2021	Satisfactory	0	3	2	Dec-2021
	Hallfield Primary	Nov-2021	Substantial	0	0	0	Feb-2022
	Hampden Gurney Primary	Nov-2021	Substantial	0	0	2	Feb-2022
	St Gabriel's Primary	Dec-2021	Substantial	0	1	1	Feb-2022
	St Vincent's RC Primary	Apr-2022	Substantial	0	1	4	Jul-2022
	Essendine Primary School	Mar-2022	Satisfactory	0	2	7	Jul-2022
People Services	Pensions Admin (transfer)	n/a	Advisory	0	0	0	Jul-2022
	Apprenticeship Levy Spend	Jun-2022	Satisfactory	1	4	0	Jul-2022
Growth, Planning & Housing	Leaseholder Service Charges (2020/21)	Jan-2022	Satisfactory	0	1	1	Feb-2022
	Lillington & Longmore RA - accounts	n/a	Advisory	0	0	0	Jul-2022
	Health & Safety Committee (attendance)	n/a	Advisory	0	0	0	Jul-2022

Internal Audit Plan – 2021/22

Plan Area	Auditable Area	Issued	Assurance level given	High Priority Recs	Med. Priority Recs	Low Priority Recs	Reported to Committee
Environment & City Management	Trading Standards (2020/21)	May-2021	Satisfactory	1	4	0	Sep-2021
	Food Safety (2020/21)	Jun-2021	Limited	1	5	0	Sep-2021
	Sayers Croft Outdoor Learning Centre	Dec-2021	Limited	2	5	1	Feb-2022
	Transformation	n/a	Advisory	0	0	0	Jul-2022
Innovation & Change	Performance Management	May-2022	Satisfactory	0	6	1	Jul-2022

Audit work in progress

Plan Area	Auditable Area	Status
Children’s Services	Placements – Operational & Financial Systems Integration	Report to be finalised.
Schools	St Edward’s RC Primary	Draft report issued – March (Satisfactory, 1, 1, 3)
	Burdett Coutts Primary	Draft report issued June 2022.
	St Augustine’s Federated Schools: Secondary	Draft report issued June 2022.
	Thematic Review: VAT	Fieldwork complete and draft report being prepared.
Growth, Planning & Housing	Health & Safety – Lifts Maintenance	Fieldwork in progress.
	Health & Safety – Electrical Safety	Fieldwork in progress.
Environment & City Management	Contract Management	Report drafted.
	Contract Extensions	Report drafted.

Internal Audit Plan – 2021/22

Changes to the 2021/22 Internal Audit Plan

The table below shows audits removed from the 2021/22 plan, following discussions with management, or deferred to a future year.

Plan Area	Auditable Area	Reason Audit not Undertaken
Cross-cutting	Business Continuity	New system recently implemented. To consider compliance review in 2022/23 once system embedded.
	Scheme of Delegated Authority	Consider for inclusion in 2022/23 post review of financial regulations.
	Debt Management	Previously identified specifically for Adult Social Care but widen to cover all debt managed through the Hants system.
Schools	All Souls CE Primary	Changes in staffing, requested audit deferral until Q1 2022/23.
Finance & Resources	IT Programmes & Projects Governance	Due to disaggregation. No longer required. Audit plan to be disaggregated with audits focussed for each Council in 2022/23 Plan.
	Property	Agreed with the service to consider in the early part 2022/23.
	Commercial Partnerships	New governance arrangements. Agreed to defer to 2022/23.
Growth, Planning & Housing	Social Value in Procurement	No longer required.
Innovation & Change	Risk Management	Agreed with service to defer until Q2-3 2022/23.

Internal Audit Plan 2021/22 – Final Progress Report

1. Executive Summary

- 1.1 The work carried out by the Council's Internal Audit Service in the reporting period found that, in the areas audited, internal control systems were generally effective with two substantial and six satisfactory assurance reviews being completed in the period.
- 1.2 The follow up reviews completed in the period for eight audits confirmed that the implementation of recommendations has been effective with 100% of recommendations being fully or partly implemented at the time of review.

2. Audit Outcomes

- 2.1 Since the last report to Members, eight audits have been completed, none of which identified any areas of concern:

Service Area	Audit	Assurance
Cross Cutting	Finance, pay and HR compliance	Satisfactory
Children's Services	Supporting People Claims	Satisfactory
Schools	St Vincent's RC Primary	Substantial
	Essendine Primary	Satisfactory
Finance & Resources	Housing Benefit	Satisfactory
	Council Tax	Substantial
People Services	Apprenticeship Levy Spend	Satisfactory
Innovation & Change	Performance Management	Satisfactory

- 2.2 In addition, seven advisory reviews/support have been concluded in the following areas:
- S113 Agreements – Governance
 - Covid-19 Enforcement & Surge Funding Claim
 - FM Code – Compliance
 - Pensions Administration Transfer
 - Resident Association Accounts
 - Housing Health & Safety Committee attendance
 - Transformation in Public Protection and Licensing

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

Internal Audit Plan 2021/22 – Final Progress Report

2.3 Implementation of Audit Recommendations

Seven follow-up reviews were undertaken in the period which confirmed that the implementation of recommendations has been effective with 100% of recommendations being fully or partly implemented at the time of review:

Audit	Recs Made*	Implemented*	In Progress*	Not yet actioned*
Temporary Accommodation	1 (M)	1 (M)	0	0
St Luke's Primary School	4 (3M, 1L)	3 (2M, 1L)	1 (M)	0
St Saviour's Primary School	6 (3M, 3L)	5 (2M, 3L)	1 (M)	0
Robinsfield Primary School	2 (M)	2 (M)	0	0
Food Safety	6 (1H, 5M)	1 (H)	5 (M)	0
Christchurch Bentinck Primary School	5 (L)	4 (L)	1 (L)	0
Treasury Management	1 (L)	1 (L)	0	0
Sayer's Croft Outdoor Learning Centre	8 (2H, 5M, 1L)	5 (1H, 3M, 1L)	3 (1H, 2M)	0
Direct Payments & Payments Team	7 (1H, 5M, 1L)	6 (1H, 4M, 1L)	1 (M)	0
Totals	40	28 (70%)	12 (30%)	0
Total High Priority	4	3	1	
Total Medium Priority	24	14	10	
Total Low Priority	12	11	1	
Totals	40	28	12	

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

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.