



City of Westminster Committee Report

Meeting:	Audit and Performance Committee
Date:	27 February 2024
Classification:	General Release
Title:	Internal Audit Progress Report 2023/24 (to January 2024)
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 January 2024. Three audits have been finalised with a further eight 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 January 2024 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 January 2024)

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

Audit	Assurance
*Portman Early Childhood Centre (2022/23)	Satisfactory
*Housing Resident Satisfaction Surveys	Satisfactory
Section 106/ Community Infrastructure Levy (CIL)	Limited

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

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

Section 106 and Community Infrastructure Levy (CIL) – (Amber)

5.3 The Community Infrastructure Levy (CIL) is a standardised non-negotiable levy that is charged to new development for raising funds to deliver infrastructure that is required to support new development. Section 106 (S106) Agreements (Planning Obligations) are legally binding agreements entered into by persons with an interest in a piece of land (often a developer) secured by a legal agreement or deed. They are designed to mitigate for a particular impact that would arise from a development. Section 106 Agreements have reduced significantly once the implementation of CIL came about, however they will continue to be used to secure some aspects of infrastructure provision that are specifically necessary to enable site-specific requirements and affordable housing to be delivered. This is likely to apply to large-scale developments.

5.4 The Council splits CIL revenue into three types: Strategic CIL; the Neighbourhood CIL, and Administrative CIL. In October 2022, new governance arrangements for CIL were approved by Cabinet. The new governance arrangements included:

- transferring the authority to take decisions, previously reserved for the CIL Committee, to Cabinet.
- Projects funded by Strategic CIL would be considered by the Capital Review Group and the Council's Executive Leadership Team before approval is sought from Cabinet.
- Decisions up to the value of £250,000 on Neighbourhood CIL are made by the Cabinet Member for Planning and Economic Development. Excess of this value will be considered by Cabinet.

5.5 An annual Infrastructure Funding Statement (IFS) report is published by the Council. The IFS provides a summary of the financial and non-financial developer contribution relating to S106 and CIL within the borough. It also includes a statement of infrastructure projects that the Council intends to be, or may be, wholly or partly funded by CIL.

5.6 The following areas of good practice were identified:

- In September 2022, the S106/CIL team provided a training session outlining upcoming changes to the CIL governance arrangements that would be effective from October 2022.
- The Council's website had up-to-date guidance for the public in relation to CIL funding, including how to submit an application for Neighbourhood CIL projects.

- A review of the January 2023 S106/CIL reconciliation performed as part of the new process, confirmed that this included identifiers for income received and expenditure on projects between the management system (Exacom) and the financial management system, with an automated TRUE/ FALSE reference highlighting unexpected variances.
- The Infrastructure Funding Statement (The City Plan) for 2021/22 was made available to the public through the Council's website. The statement included priorities approved in October 2022 of Affordable Housing, Green transitions, Sustainable and active travel, Community facilities, and Assessable and inclusive public spaces. Allocated and unallocated funding received from both S106 and CIL payments were outlined, including a list of projects detailing allocated funding against funding received to date.

5.7 The audit was undertaken at the beginning of an improvement programme to provide a baseline and to help identify the areas needed for improvement. Seven medium and one low priority recommendations were made, and since then significant improvements have been made:

- Processes and systems: The team has produced a new detailed team plan, setting out the processes to manage S106/CIL cases end to end. This is based on industry best practice and has been produced with external advice and replaces the CIL Administration and Monitoring Manual which is no longer in use (medium).
- Reporting and monitoring: Previous reports obtained from the Exacom system did not contain all of the required fields for effective monitoring, and required significant manual input by team members, to produce relevant management information. Monitoring reports are now reviewed on a regular basis, and as the reconciliation (referenced below) progresses the accuracy and timeliness of management reporting has significantly improved (medium).
- Monitoring of funds: Prior to 6 March 2023, monitoring of S106/CIL funds, including funds due to expire, was completed on an ad hoc basis and there were no defined timeframes for issuing Demand Notices to the developers. In addition, the due dates included in Demand Notices were inconsistent. A programme is now in place to systematize the monitoring of funds and secure overdue payments. The new Affordable Housing & Planning Obligations SPD further strengthens the approach, which includes the introduction of new late payment penalties (medium).
- Prior to January 2023, reconciliations of S106/CIL funds received, and recorded in the Exacom system, with the Council's financial management system (IBC) were completed on an ad hoc basis. Quarterly S106 reconciliations commenced in Q4 2022/23 and the same for CIL from Q2 2023/24. These reconciliations are now being reviewed on a monthly basis, with the monthly financial position being reported to senior management and the Cabinet Member (medium).
- Testing a sample of payments identified as delayed (between February 2022 and February 2023), identified instances of delays in following up Demand Notices issued to the developer (medium).
- Prior to March 2023, a centralised monitoring and reporting process of ring-fenced funds relating to S106 was not in place with responsibility of monitoring the correct allocation of funds delegated to the assigned officer within the agreement. The team now has a mechanism for centrally monitoring ring-fenced funds, and a schedule is reviewed regularly with the officer Infrastructure Working Group to make sure all funds are allocated and spent in full (medium).

- In accordance with the Community Infrastructure Level Regulations 2019, the Infrastructure Funding Statement (IFS) should be published by the 31 December after the financial year to which the data relates. A review of the Council's Infrastructure Funding Statement for 2021/22 confirmed that this was published with a delay of circa two months, on 7 March 2023. This continues to be a focus for improvement, and the production of the IFS is being fully integrated with the council's corporate financial reporting to ensure it is published by 31 December each year (medium).
- Changes within the governance arrangements were communicated to members of staff and a draft Governance Protocol document developed which was agreed during the October 2022 Cabinet meeting. These have since been finalised and the infrastructure governance group meets monthly, as well as regular reporting to the responsible cabinet member. (low).

5.8 As indicated, actions have been agreed which address all of the recommendations and implementation of these will be followed up.

Follow up

5.9 Three follow-up reviews were undertaken in the period which confirmed that 83% of recommendations made had been fully or partially implemented.

Follow up Review	Recs Made*	Implemented*	In Progress*	Not yet actioned*
Westminster Community Homes	6 (4M, 2L)	3 (3M)	2 (1M,1L)	1 (L)
Management of Community Halls	5 (4M, 1L)	0	4 (M)	1 (L)
IBC Debt Management	1 (M)	1 (M)	0	0
Totals	12 (9M, 3L)	4 (33%)	6 (50%)	2 (17%)
Total High Priority	0	0	0	0
Total Medium Priority	9	4	5	0
Total Low Priority	3	0	1	2
Totals	12	4	6	2

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

5.10 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.

10. 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:

Moira Mackie on 07800 513 192 Email: Moira.Mackie@rbkc.gov.uk

or

David Hughes on 07817 507 695 Email: David.Hughes@rbkc.gov.uk

APPENDICES

Appendix 1 Completed Audits and Status of Planned Audits 2023/24

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
Schools	Portman Early Childhood Centre (2022/23) (Oct-23)	Dec-23	Satisfactory	0	6	7	Feb-24
Housing	Resident Satisfaction Surveys (Nov-23)	Nov-23	Satisfactory	0	0	4	Feb-24
Innovation & Change	S106 and CIL	Dec-23	Limited	0	7	1	Feb-24
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	Defer/ Remove from Plan*
Cross-cutting	<ul style="list-style-type: none"> Risk Management (2022/23) 	<ul style="list-style-type: none"> Effectiveness of the Audit Committee Low value frequent spend (TBC) Finance, Payroll Testing (TBC) H&S Governance – low value high risk contracts (Q3/4) 	<ul style="list-style-type: none"> Climate Emergency (Cross Council – Governance) Business Continuity (TBC) Scheme of Authorisation (TBC) 	
Adult Social Care	<ul style="list-style-type: none"> Lisson Grove Hub (Learning Disability Support) Droop Street (Learning Disability Day Centre) Flexible Response (Learning Disability) 	<ul style="list-style-type: none"> Home Care 	<ul style="list-style-type: none"> PH: Core Drugs & Alcohol Treatment Contract Monitoring (April fieldwork) 	<ul style="list-style-type: none"> Market Management (future plan) Direct Payments (consider for 2024/25)
Children’s Services		<ul style="list-style-type: none"> Supporting People Claims (ongoing) 		
Schools	<ul style="list-style-type: none"> Burdett Coutts Primary (Jan-24) 		<ul style="list-style-type: none"> St Vincent de Paul (Feb-24) Schools Thematic 	<ul style="list-style-type: none"> St James’ & St John’s Primary (cfwd 2024/25)
Finance & Resources	<ul style="list-style-type: none"> Corporate Property (2022/23) (Dec-23) 	<ul style="list-style-type: none"> Governance Wholly Owned Companies (Follow up of several previous reviews) Council Tax NNDR HB 	<ul style="list-style-type: none"> Corporate Health & Safety (TBC) 	
Law, Governance & People Services		<ul style="list-style-type: none"> Pensions Admin (ongoing) 	<ul style="list-style-type: none"> People Services (TBC) 	<ul style="list-style-type: none"> Coroner’s Service (defer to 2024/25)
Digital & Innovation	<ul style="list-style-type: none"> IT Risk Management 	<ul style="list-style-type: none"> Cyber Security IT Third Party Risk Management 		

Plan Area	Draft Report Issued	In Progress/ Due to Start	Not yet Due	Defer/ Remove from Plan*
Housing	<ul style="list-style-type: none"> Torridon TMO (Jan-24) 	<ul style="list-style-type: none"> Leaseholders – Major Works (2022/23) Members’ Enquiries & Complaints Housing Rents 	<ul style="list-style-type: none"> HRA Recharges Housing Needs Temp Accom (ongoing) H&S Compliance Repairs 	
Regeneration, Economy and Planning			<ul style="list-style-type: none"> Planning/ Building Control (Building Safety Act) Economic Development & Regeneration (possible project review to be discussed) 	
Environment, Climate & Public Protection		<ul style="list-style-type: none"> Mortuary Food Safety Light Touch Review 	<ul style="list-style-type: none"> Climate Emergency (see cross-cutting) 	<ul style="list-style-type: none"> Environmental Health & Safety: (deleted low priority) Markets & Street Trading (agreed for 2024/25) Contracted Services: Waste, Parking, other (agreed for 2024/25)
Innovation & Change			<ul style="list-style-type: none"> Contracted Services (Communities e.g., Leisure & Parks) Equalities (to be discussed) 	

*Audits may be deferred for several reasons including but not limited to:

- Other priority/higher risk area work required.
- Changes in organisation or regulatory requirements which would affect the timing/ scope of an audit.

Additional Information on Assurance Audits

(main report paragraph 5.1)

1. Schools (Satisfactory)

- 1.1 Audits of the Council's schools are carried out using an established probity audit programme, usually on a five-year cycle unless issues dictate a more frequent review. The programme is designed to audit the main areas of governance and financial control and has been fully reviewed to facilitate effective remote auditing where required. The programme's standards are based on legislation, the Scheme for Financing Schools and accepted best practice and the purpose of the audit is to help schools establish and maintain robust financial systems.
- 1.2 In the reporting period, one final report has been issued in respect of the following:
 - Portman Early Childhood Centre
- 1.3 Satisfactory assurance was provided with 6 medium and 7 low priority recommendations made.

2. Housing Department: Resident Satisfaction Surveys (Satisfactory Assurance)

- 2.1 This review considered the process for undertaking both transactional and perception surveys to ensure the results reflect an accurate assessment of the services provided by the Housing Department. The surveys are undertaken by Kwest, an independent firm specialising in social housing surveys that has been working for WCC since 2016. Following a tender process, the Council awarded a new contract with Kwest for undertaking end-user surveys, commencing on 1st April 2023.
- 2.2 For transactional surveys, customer contact details are uploaded to Kwest each week after the resident has received a service. Kwest will extract an appropriate sample of records based on the monthly numbers agreed with the Council and commence the surveys using their trained surveyors.
- 2.3 Between April and June 2023, 7,352 tenants had works completed within the homes relating to gas repairs/servicing, boiler installation or general repairs. The review confirmed that the weekly frequency of the surveys, the systems for providing the data for survey selection, the use of an independent firm experienced in conducting tenant surveys and the quality reporting provides reliable results.
- 2.4 Kwest's own internal Quality Controls procedures including training enables regular assessment by Kwest managers of the quality of the survey calls and of staff conducting the surveys ensuring a good standard of tenant interaction.
- 2.5 The audit identified good practice in the following areas:
 - Kwest, is independent to the Council, and undertakes both post-repairs surveys and surveys obtaining data for the Tenant Satisfaction Measure (TSM) required by Social Housing Regulator for tenants.
 - Although not required by the Housing Regulator, the Council voluntarily survey leaseholders for their perception of Council Services.
 - Kwest has an experienced team of staff undertaking surveys including resources to conduct surveys in languages other than English.
 - Access to the Kwest portal enables Council officers to view and download survey results.
 - Council staff have a good working relationship with Kwest with regular client contractor meetings.

Additional Information on Assurance Audits

(main report paragraph 5.1)

- The welfare reporting process allows Kwest staff to raise any concerns about the wellbeing of a tenant with the Council, should the need arise.
- Dissatisfaction responses are reported back to the Council immediately upon conclusion of the survey so investigations can commence in a timely manner.
- A monthly Performance Dashboard is shared with the Housing Senior Leadership Team, housing staff in general and the Cabinet Member for Housing.

2.6 Four low priority recommendations were made in the following areas:

- The tender for the new service provider, to undertake the feedback surveys on behalf of the Council, was published in December 2022. A review of the procurement process revealed that, although six firms registered an interest in providing a tender, only one provided a bid. No details were sought from the other five firms at the time of the procurement, as to why they failed to provide a bid.
- An agenda should be created for the client/contractor meetings with Kwest and minutes taken of discussions. The minutes should be circulated for any amendments before being agreed as accurate at the next meeting.
- E-mails from Kwest providing details of the dissatisfaction response for all service areas covered are automated and sent directly to the manager responsible for the area. The manager contacts the resident to further discuss the reasons for the response and how any problems can be rectified, where applicable. We noted that, once the follow-up is complete, or if the follow-up cannot be undertaken, the outcome remains within the team responsible for that area and there was no process to feedback on the outcomes to the Performance & Intelligence Team for monitoring purposes.
- Dissatisfaction feedback relating to Anti-Social Behaviour (ASB) cases is only sought once a case has been closed. Whilst the feedback is helpful as points of discussions with the caseworker for future work, as the case is closed, the feedback cannot be used to affect an on-going case in terms of approach by the caseworker and interaction with the specific tenant.

2.7 The recommendations were agreed and, where appropriate, actions identified to address the issues raised.