



City of Westminster Committee Report

Meeting:	Audit and Performance Committee
Date:	27 February 2024
Classification:	General Release
Title:	Internal Audit Plan 2024/25
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 The Strategic Audit Plan identifies significant, persistent risks that the Council faces and the business areas to be covered by internal audit over a five-year period. The Strategic Audit Plan supports the annual planning process and ensures that internal audit continues to provide assurance over the breadth of the Council's operations.
- 1.2 The draft Annual Audit Plan (the Plan) is prepared following consultation with Directors and Heads of Service and takes into account the Council's strategic and departmental risks and priorities.
- 1.3 To ensure that the 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 9 months being

more flexible to suit the needs of the Council at the time. The Plan will be 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.

2. Recommendations

- 2.1 The Committee review the early draft of the Annual Audit Plan, as set out in Appendix 1, and comment on the audit work due to be undertaken in the first quarter of 2024/25 and identify any specific audits to be considered during the coming year.
- 2.2 The Committee review the Strategic Audit Plan, as set out in Appendix 2, and consider whether it covers the persistent risks that the Council faces and outlines the business areas or themes that need to be considered as part of a 5-year plan.

3. Reasons for Decision

The Strategic and Annual Audit Plans are compiled by the Shared Services Director for Internal Audit, Fraud, Risk and Insurance, taking account of the Council's risk framework and following discussions with stakeholders, including senior managers. The Annual Audit Plan is subject to review by the Council's Executive Leadership Team and is reported to the Audit and Performance Committee for noting and comment.

4. Background, including Policy Context

- 4.1 The Council's Internal Audit Service is managed by the Shared Services Director for Internal Audit, Fraud, Risk and Insurance. Audits are undertaken by the in-house team or by the external contractors 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 and Performance Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. The Audit and Performance Committee are provided with updates at each meeting on the progress and outcomes from the internal audit work completed in the period.
- 4.2 A primary role of internal audit is to provide assurance that the Council has robust systems of governance and control in place to achieve its priorities and meet its statutory responsibilities. The Council's internal and external environment continues to evolve and the way in which the Internal Audit Service is delivered must change to keep pace with this. The traditional audit approach of planning a full year of audits in advance has become unsuitable as the original plan fails to keep pace with the organisation's needs.
- 4.3 As a result, we have implemented the following changes to the way in which we deliver the Internal Audit Service:
 - A Strategic Audit Plan has been developed, which documents the significant, persistent risks that the Council faces and outlining, in broad

terms, themes to be covered over a 5-year period. This helps to ensure that internal audit does not become a purely reactive function.

- We work with a '3 plus 9' Annual Audit Plan, planning out the next 3 months in detail, taking into account key risks and priorities, whilst keeping the remaining 9 months more flexible. The Plan will then be revisited each quarter to confirm the following quarter's work and will include sufficient audit coverage to enable an overall annual opinion to be reached on the Council's control framework.
- The option of focused coverage or less formal reporting is available where the traditional approach would not provide assurance as quickly as needed.
- We seek to increase attendance on 'working groups' where real time input to projects and initiatives would be useful.

4.4 The draft '3 plus 9' Internal Audit Plan for 2024/25 is attached as **Appendix 1** to this report. It should be noted that this Plan is an early draft, intended to focus on the work planned in the first quarter of 2024/25 and some changes may be required once all of the planning meetings have been held.

4.5 The Strategic Internal Audit Plan (2021-2026), which documents significant persistent risks that the Council faces and outlines, in broad terms, themes to be covered over a five-year period, is attached as **Appendix 2** to this report.

4.6 The Audit Strategy, Annual Plan and audit work is undertaken in line with the expectations of the Public Sector Internal Audit Standards (PSIAS). The Standard incorporates a code of ethics governing the integrity and conduct of internal auditors and the requirement for objectivity, confidentiality, and competency, including regard to the seven principles of public life.

5. Financial Implications

There are no financial implications arising from this report.

6. Legal Implications

6.1 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:

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

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

6.3 There are no legal implications arising from this report.

7. Carbon Impact

The decision will have no carbon impact.

8. Equalities Impact

There are no equalities implications from this report.

9. Consultation

The Internal Audit Plan and the work undertaken by the Internal Audit Service is prepared in consultation with the Council's Executive Leadership Team and officers within the Council and supports the Executive Director's responsibility under S151 of the Local Government Act 1972 relating to the proper administration of the Council's financial affairs.

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

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APPENDICES

Appendix 1 Draft Internal Audit Plan 2024-25

Appendix 2 Strategic Internal Audit Plan

BACKGROUND PAPERS

Draft Annual Internal Audit Plan – 2024/25

1. Background

The traditional audit approach of planning a full year of audits in advance has become unsuitable as the original plan fails to keep pace with the organisation's needs. The outline Internal Audit Plan (the Plan) for 2024/25, shows the audits planned in the first 3 months of the year, with areas of potential audit activity suggested for the remaining 9 months, where planning is more flexible.

The option of focused coverage or less formal reporting is available where the traditional approach would not provide assurance as quickly as needed. In addition, we seek to increase attendance on 'working groups' where real time input to projects and initiatives would be useful.

The Plan will be revisited each quarter to confirm the following quarter's work and will include sufficient audit coverage to enable an overall annual opinion to be reached on the Council's control framework.

Where possible the Plan is aligned to the Council's strategic and operational risks, however it should be noted that the Council's risks and priorities may change during the year, and the Plan will be reviewed and updated as appropriate.

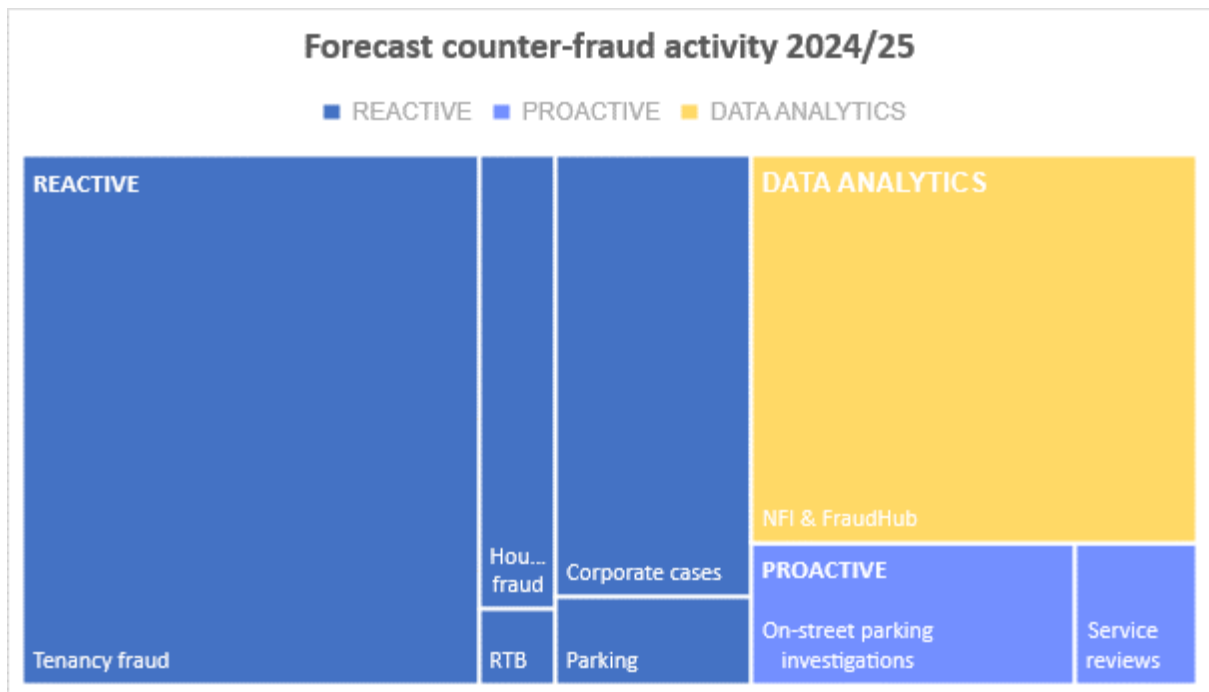
The Plan will be provided to the Council's Executive Management Teams and the Audit and Performance Committee at the start of the financial year and will then be presented every quarter. The delivery of the Plan helps to create a culture of accountability, ensures that risk management processes are embedded and contributes to the Council's governance framework.

In addition, areas of fraud risk are evaluated by the Corporate Anti-Fraud Service (CAFS) and this information will be used to inform and focus some of the audit work planned, as well as identifying areas where pro-active exercises and data analytics can provide additional assurance that fraud risks are effectively managed.

2. Corporate Anti-Fraud Service (CAFS) 2024/25

The work undertaken by CAFS complements the work of Internal Audit and provides additional assurance to the Council that fraud risks are being managed effectively. The reactive work plan has been estimated using historical data to assess the required levels of commitment needed for fraud risk areas such as Tenancy or Housing fraud. In contrast, proactive activities such as data analytics can be more carefully planned to ensure appropriate resources are available. For example, the biennial National Fraud Initiative data matching exercise will start in September 2024, with the initial extraction of data to be analysed.

The table below reflects the forecast activity for 2024/25.



3. Draft Internal Audit Plan - 2024/25

Department	Review	Potential Coverage	Quarter	Strategic Risk*
Cross-Cutting	Climate Emergency	Governance	1	9
Cross-Cutting	Governance & Risk Management -	1 or 2 reviews (not yet confirmed)	2 onwards	n/a
Cross-Cutting	Schemes of Authorisation	Compliance with delegated authority	2 onwards	n/a
Cross-Cutting	Procurement	1 or 2 reviews (not yet confirmed)	2 onwards	n/a
Cross-Cutting	Corporate Health & Safety	Governance and reporting	2 onwards	10
Cross-Cutting	Projects & Programmes	To be discussed	2 onwards	n/a
Adult Social Care				
Adult Social Care	Direct Payments	Compliance review	1	2
Adult Social Care & Public Health	Procurement/ Contract Management	To be discussed	2 onwards	2
Adult Social Care	- Reablement - Mental Health - Client Affairs/ Financial Assessments	1 or 2 reviews (not yet confirmed). NB other Inspections due	2 onwards	3
Children's Services				
Children's Services	Supporting Families	On-going claims review (every quarter)	1 to 4	n/a
Children's Services	School Audits	Cyclical review: Financial control and governance review.	1 to 4	n/a
Children's Services	- Placements - SEND - LAC - Adoption - Fostering	1 or 2 reviews (not yet confirmed). NB other Inspections due	2 onwards	1, 3
Children's Services	Schools – Finance: - Capital Expenditure - Surpluses - Deficits	1 or 2 reviews (not yet confirmed)	2 onwards	n/a
Finance & Resources				
Finance & Resources	Digital & Innovation	- Digital Transformation & - Strategy & Governance	1 to 4	8
Finance & Resources	Revenues & Benefits	Cyclical review of: - Council Tax - Housing Benefits - NNDR	3	n/a
Finance & Resources	Financial Systems	To be discussed	2 onwards	n/a
Finance & Resources	Treasury & Pensions	To be discussed	2 onwards	n/a
Finance & Resources	Risk Management	Follow up on previous audit (also cross-cutting)	2 onwards	

Appendix 1

Department	Review	Potential Coverage	Quarter	Strategic Risk*
Commercial Partnerships	Procurement Governance	Compliance with Procurement controls (likely to be cross-cutting)	2 onwards	n/a
Commercial Partnerships	Contract Management	See departmental plans	various	n/a
Housing Services	Housing Management: - Planned Maintenance - Responsive Repairs - Major Works - Voids	1 or 2 reviews (not yet confirmed)	2 onwards	7
Housing Services	Housing Health & Safety – Cyclical Review	Ongoing compliance and requirements of Building Safety Act	2 onwards	3, 10
Housing Services	HRA	To be discussed	2 onwards	n/a
Housing Services	Housing Needs: - Temporary Accommodation - Homelessness - Allocations	1 or 2 reviews (not yet confirmed)	2 onwards	3, 7
Regeneration, Economy & Planning	Planning / Building Control	Building Safety Act to be confirmed	1	10
Regeneration, Economy & Planning	Regeneration	Governance of schemes	2 onwards	n/a
Environment, Climate & Public Protection	Climate Emergency	See Cross-Cutting section	1	
Environment, Climate & Public Protection	Markets & Street Trading	Systems review	1	n/a
Environment, Climate & Public Protection	Arboriculture	Contract Management	1	n/a
Environment, Climate & Public Protection	Disabled Facilities Grants	Cyclical review	1	n/a
Environment, Climate & Public Protection	Waste Services	Contract Management	2 onwards	n/a
Environment, Climate & Public Protection	Parking Services	To be discussed	2 onwards	n/a

Department	Review	Potential Coverage	Quarter	Strategic Risk*
Environment, Climate & Public Protection	Community Services	1 or 2 reviews (not yet confirmed) - Leisure Services - Parks & Grounds Maintenance	2 onwards	n/a
Democracy, Law & People Services	Governance	1 or 2 reviews (not yet confirmed) - Partnerships - Commercial Ventures - S113 Agreements	2 onwards	n/a
Democracy, Law & People Services	Pensions Administration	Ongoing review of processes & compliance	1 to 4	n/a
Democracy, Law & People Services	Coroner's Service	Financial management	2 onwards	n/a
Democracy, Law & People Services	People Services	1 or 2 reviews (not yet confirmed) - Recruitment & Retention - Equalities - Agency Staff	1 to 4	n/a

*Where appropriate, the audits are linked to the Council's strategic risks, as detailed below, which may be updated during the year.

4. **Strategic Risks (November 2023)**

The risks that could impact on the sustainability and delivery of the Council's statutory and non-statutory services and operations are considered to be of strategic significance. At the time of drafting the Annual Audit Plan, the Council's strategic risks were identified as:

Number	Risk
1	Failure to safeguard and protect children and vulnerable adults.
2	Fragility of the local care market.
3	Statutory service failure.
4	Infectious disease, wider health or environmental health outbreak or NHS crisis.
5	Failure to effectively respond to a major incident.
6	Cost of living pressures.
7	Lack of housing capacity.
8	Significant IT breach or cyber event.
9	Failure to achieve our net zero carbon targets.
10	Inadequate health and safety controls.

Strategic Internal Audit Plan (2021-2026)

1. The Strategic Audit Plan sets out the medium-term direction of the Internal Audit Service. This 5-year plan outlines the priorities of the service and how Internal Audit can continue to provide an adequate level of assurance whilst taking into account resource limitations and the changing risk landscape.
2. The Strategic Audit Plan is supported by the Audit Charter, which sets out the roles and responsibilities of Internal Audit, and the Annual Audit Plan, which outlines the areas of internal audit coverage in a year.
3. All local authorities have faced significant financial reductions in recent years, an increasing demand for its services and a reduction in the resources available to them which has, in turn, impacted on the control environment. In addition, local authorities are taking more risks as they explore innovative solutions in order to bridge funding gaps and transform the organisation. It is important that the Internal Audit Service continues to evolve to ensure that it remains an effective assurance provider.
4. The Strategic Audit Plan has been prepared to document significant, persistent risks that the Council faces and outlines, in broad terms, themes to be covered. The intention of the 5-year period of this plan is to ensure that, in becoming more agile, internal audit does not become a purely reactive function and continues to provide assurance over the entire breadth of the Council's operations. The Strategic Audit Plan will be aligned where possible to the Council's ambitions contained within the Fairer Westminster Strategy.

Area of Review	Significant Persistent Risks	Five-year Approach
<p>Corporate Resources Back office and support functions including Finance, HR, business continuity, risk management, health and safety and procurement</p>	<ul style="list-style-type: none"> • Internal and external fraud • Poor Financial management • Risks to staff safety and welfare • Value for money not achieved in commissioning, procurement and contract management. • Failure to provide robust and compliant pensions administration service. • Council/ pension funds not invested effectively. • Staff do not have the skills, resources or support to discharge their roles effectively. • Council unable to cope with business disruption or emergencies. 	<p>At least one full audit of each key financial system (excluding Hants assurance areas) and ongoing testing of key controls every year.</p> <p>Cyclical Coverage of Revenues and Benefits over a three-year period.</p> <p>At least one audit of pension administration.</p> <p>2-year cyclical review of treasury and pension fund management arrangements.</p> <p>At least one audit of each key HR Function.</p> <p>Work on other functions, themes or departments based on conversations with management, assessment of risk and other sources of assurance.</p> <p>Annual coverage of management of individual procurements and contracts based on review of forward plans, perceived risk, significance and discussions with management.</p>

Area of Review	Significant Persistent Risks	Five-year Approach
<p>Governance, Partnerships and Transformation Council governance functions, key strategic partnerships, commercial ventures and transformation programmes and projects.</p>	<ul style="list-style-type: none"> • Governance failures, bringing the Council into disrepute or leading to the aims and objectives of the Council not being achieved. • Programmes and projects are not managed effectively within the required budget and timescales, delivering all expected benefits. • Ill-advised strategic partnerships or ventures entered into, or poor governance arrangements lead to objectives not being achieved. • Information requests (such as SARs and FOIs) are not responded to promptly and appropriately. • Statutory functions such as Electoral Services are not discharged effectively. • Commercial property portfolio is not managed effectively. 	<p>At least one full audit of SARS, FOIs, Members Enquiries and Complaints</p> <p>Annual coverage of Health and Safety based on discussions with management and understanding of risk areas.</p> <p>At least one audit of Gifts, Hospitality and Declarations of Interest</p> <p>Annual audits of specific areas of governance based on discussions with management and understanding of risk.</p> <p>Coverage of each significant Partnership, Joint Venture, Council Owned Company or Commercial Venture.</p> <p>Annual Coverage of Risk Management at either a corporate, thematic or departmental level.</p>
<p>Information Management & Technology (Digital Services) Management of data, compliance with the Data Protection Act /GDPR. Information technology including cyber security, asset management and disaster recovery.</p>	<ul style="list-style-type: none"> • Loss of information, data breaches or inappropriate disclosure. • Loss of access/information due to systems failure or cyber-attack. • Breach of access controls. • Loss, theft or misuse of IT assets. 	<p>Periodic IT audit needs assessment and frequent discussions with management to understand risk areas.</p>
<p>Housing Housing Services provided to Council Tenants, Leaseholders and those at risk of homelessness.</p>	<ul style="list-style-type: none"> • Properties are either acquired or disposed of that are not in line with the Council's strategy or value for money is not achieved. • Rent payments and service charges are not recovered promptly and completely. • Council housing is acquired through fraud or is used inappropriately. • Housing stock is not maintained in a satisfactory condition leading to health and safety hazards and 	<p>At least one full audit of key Housing functions such as Rents, Homelessness, Housing Allocations, Temporary Accommodation, Tenancy Management, Leaseholder Services.</p> <p>More frequent coverage of both responsive repairs and planned repairs and maintenance</p> <p>Annual coverage of building Health and Safety compliance.</p>

Area of Review	Significant Persistent Risks	Five-year Approach
	<p>increased reactive maintenance.</p> <ul style="list-style-type: none"> • Risks to the health and safety of residents are not identified and addressed promptly. • Leaseholders are not consulted and correctly charged for any works affecting their property. • Homeless and those at risk of becoming homeless in the borough do not receive the support they require. 	
<p>Children Services Provision of services for children and families including looked after children, family support, school, SEND and amenity services including Registrars and Libraries.</p>	<ul style="list-style-type: none"> • Failure in service continuity, safeguarding arrangements, financial management and governance. • Increased demands for services with reduced funding. • Statutory functions such as Registrars are not discharged effectively. 	<p>On-going in-year assurance on funding claims for Supporting People.</p> <p>Cyclical full review of specific areas such as placements, direct payments, looked after children based on discussions with management and understanding of risk.</p> <p>Each school reviewed at least once (with more frequent review where required).</p> <p>At least one audit of the Registrars Service.</p> <p>At least one audit of the Libraries Service.</p>
<p>Adult Social Care Services provided to adults including day care, home care, direct payments and reablement.</p>	<ul style="list-style-type: none"> • Increased demands for services with reduced funding. • Lack of suitable provision. • Weak supplier financial resilience. 	<p>Cyclical review of specific areas such as direct payments, home care, day centres, client affairs, charges and debt management, partnership agreements based on discussions with management and understanding of risk.</p>
<p>Public Health Services provided to support the public health of the community including the response to pandemics.</p>	<ul style="list-style-type: none"> • Access to appropriate affordable resources to support improvement to public health priorities. • Changing public health priorities and capacity for delivery (as exemplified by Covid-19 pandemic). 	<p>At least one procurement and one contract monitoring review across 2 to 3-year period.</p> <p>Targeted reviews in specific areas based on discussions with management and understanding of risk.</p>
<p>Environment, Infrastructure and Community Services Management of highways infrastructure and services provided for residents,</p>	<ul style="list-style-type: none"> • Statutory and regulatory functions not discharged effectively. • Weak supplier resilience / lack of provision. • Poor value for money/ ineffective service delivery/ 	<p>At least one procurement and one contract monitoring review across 2 to 3-year period.</p> <p>Cyclical review across the service areas based on discussions with management and understanding of risk.</p>

Area of Review	Significant Persistent Risks	Five-year Approach
businesses and visitors. Includes Planning & building control, regeneration, new homes, industrial strategy, employment support schemes, parking, highways, public realm, environmental health, trading standards, community safety, sustainability, climate change impact, leisure, culture and amenity services.	failure to deliver outcomes for the community. <ul style="list-style-type: none"> Injury to health /wellbeing to the community, businesses and visitors. 	

- The Chart below summarises the actual audit activity between 2021/22 and 2023/24 and the planned activity for 2024/25, using the "Areas of Review" contained in the Internal Audit Strategy.

