



City of Westminster

Committee Agenda

Title: **Audit and Performance Committee**

Meeting Date: **Thursday 1st February, 2018**

Time: **7.00 pm**

Venue: **Room 3.6, 3rd Floor, 5 Strand, London, WC2 5HR**

Members: **Councillors:**

Ian Rowley (Chairman)
Lindsey Hall
Judith Warner
David Boothroyd

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception from 6.30pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.



An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Reuben Segal, Senior Committee and Governance Officer.

**Tel: 020 7641 3160 Email: rsegal@westminster.gov.uk
Corporate Website: www.westminster.gov.uk**

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Director of Law in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

To note any changes to the membership.

2. DECLARATIONS OF INTEREST

To receive declarations by Members and Officers of the existence and nature of any personal or prejudicial interests in matters on this agenda.

3. MINUTES

To approve the minutes of the meeting held on 23 November 2017.

(Pages 1 - 10)

4. EXTERNAL AUDIT CERTIFICATION OF CLAIMS AND RETURNS ANNUAL AUDIT 2016/17

Report of the City Treasurer.

(Pages 11 - 18)

5. GRANT THORNTON ANNUAL AUDIT PLAN 2017/18

Report of Grant Thornton

(Pages 19 - 56)

6. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

Report of Grant Thornton

(Pages 57 - 72)

7. FINANCE (PERIOD 9) MONITORING REPORT (TO FOLLOW)

Report of the City Treasurer

8. MAINTAINING HIGH ETHICAL STANDARDS AND THE CITY COUNCIL

Report of the Director of Law

(Pages 73 - 84)

9. INTERNAL AUDIT MONITORING 2017-18 - PROGRESS REPORT (NOVEMBER TO DECEMBER 2017)	(Pages 85 - 106)
Report of the Tri-borough Director of Audit, Risk, Fraud and Insurance	
10. INTERNAL AUDIT PLAN 2018/19	(Pages 107 - 130)
Report of the Tri-borough Director of Audit, Risk, Fraud and Insurance	
11. WORK PROGRAMME AND ACTION TRACKER	(Pages 131 - 148)
12. UPDATE ON CYBER SECURITY	(Pages 149 - 160)
Report of the Bi-Borough Chief Information Officer	

Stuart Love
Chief Executive
24 January 2018

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CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Thursday 23rd November, 2017**, Room 3.6/3.7, 3rd Floor, 5 Strand, London, WC2 5HR.

Members Present: Councillors Ian Rowley (Chairman), David Boothroyd and Jacqui Wilkinson

Also Present: Paul Dossett (Partner, Grant Thornton), Paul Jacklin (Senior Manager, Grant Thornton), Steve Mair (City Treasurer), Dave Hodgkinson (Assistant City Treasurer), Siobhan Coldwell (Chief of Staff), Cathy Mullins (Interim Head of Evaluation and Performance), Mo Rahman (Evaluation and Performance Analyst), Ian Heggs (Borough Director of Schools), David Hughes (Tri-Borough Director of Audit, Fraud, Risk and Insurance), Moira Mackie (Senior Internal Audit Manager), Andy Hyatt (Head of Fraud), Steve Barry (Fraud Investigation Manager), John Quinn (Bi-Borough Director of Corporate Services) and Reuben Segal (Committee & Governance Services)

Apologies for Absence: Councillor Lindsey Hall

1 MEMBERSHIP

- 1.1 It was noted that Councillor Jacqui Wilkinson had replaced Councillor Judith Warner.

2 DECLARATIONS OF INTEREST

- 2.1 Councillor Wilkinson declared in respect of item 7 that she is a finance governor for Chelsea Community Hospital School.

3 MINUTES

- 3.1 **RESOLVED:** That the minutes of the meeting held on 18 September 2017 be agreed by the Chairman as a correct record of proceedings.

4 GRANT THORNTON ANNUAL AUDIT LETTER 2016 - 2017

- 4.1 Paul Dossett, Partner, Grant Thornton, introduced the Annual Audit letter which set out the key findings from the audit of the Council's Financial Statements (Council and Pension Fund) for the year ending 31 March 2017.
- 4.2 Mr Dossett advised that the letter contained very little in additional information to the key findings reported to the committee at its meeting in May. He advised that there were two outstanding objections to the Council's accounts from local electors in relation to LOBOs. These had been addressed and approval from the Public Sector Audit Appointments (PSAA) was expected to be received the following week.
- 4.3 He further advised that since the publication of the letter Grant Thornton had certified the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions and was in the process of completing work on minor grants. The Council's financial statements were expected to be certified in December.
- 4.4 With regards to the determination of materiality, Mr Dossett explained that Grant Thornton had set this at 1.85% to reflect the challenges and risk around the Managed Services Contract where otherwise it would have been set at 2%.
- 4.5 **RESOLVED:** That the Annual Audit Letter 2016-17 be noted.

5 PROGRESS AND UPDATE ON 2017 - 2018 AUDIT

- 5.1 Paul Jacklin, Senior Manager, Grant Thornton, introduced a report which set out the auditor's progress in delivering its responsibilities relating to the audit of the Council's Financial Statements and the Pension Fund for the financial year 2017-18. The report included key information on changes to accounting practices and emerging issues in local government such as the Independent Review of Building Regulations and Fire Safety.
- 5.2 Mr Jacklin informed the committee that work on certifying the Council's housing benefit subsidy claim had been completed. An update on certifying teachers' pensions claims would be reported to the next committee meeting.
- 5.3 With regards to the Independent Review on Building Regulations and Fire Safety, the chairman advised that the following the Grenfell Tower fire the Housing, Finance and Corporate Services Policy and Scrutiny Committee scrutinised CityWest Homes and the Council's response to fire safety within the Council's housing stock. Subject to the outcomes from the independent review and any changes to building regulations and fire safety, this committee will examine how the Council will or has responded to any future requirements.
- 5.4 **RESOLVED:** That the progress report be noted.

6 CORPORATE COMPLAINTS 2016 - 2017

- 6.1 Siobhan Coldwell, Chief of Staff, introduced a report that set out the Council's Annual Complaints Review for 2016 - 17. The report summarised the Council's complaints performance (Complaint stages 1 and 2) and those complaints received by the Local Government Ombudsmen (LGO). The report also contained, as an appendix, a copy of the Local Government Ombudsman Annual Letter/Review for the year ending 31 March 2017.
- 6.2 Information used to compile the 2016/17 annual report had largely come from the new complaints database. The procedure covers most Council services. However, Adults and Children's Social Care Services each have their own separate statutory complaints procedure and as such separate reports are produced. CityWest Homes has been operating its own complaints procedure since 1 April 2012 and produces an annual complaints report. This is the first time the Council has had a complete corporate overview of all complaints across all stages as previously information was stored on various systems. However, as use of the new database was phased in there was a small amount of data on other separate systems. Additionally Parking Services did not start using this system until March 2017, therefore their information was reported separately.
- 6.3 The Committee noted the headline findings which included that there was an overall decrease in complaints across both stages when compared with 2015/16 (down 25% from 1048 to 837), and that there were no serious service failures discovered at stage 2. When reviewing the performance relating to stage 1 response times (10 working days) the committee noted the variances between service areas in responding in the target response time. The team with the slowest response time has now turned its poor performance around and reports run for the first and second quarter of the current year indicate all complaints from this team has met the target response time.
- 6.4 The LGO made no specific comments about the Council's performance, and the Annual Complaints Review has reported that no formal public reports were issued against the Council.
- 6.5 Members questioned whether a standard 10-day response time to all complaints is appropriate and whether there should be a differential response time depending on risk. The committee also recognised that some complaints may be easier to respond to in a short timeframe while others are more complex and require additional information and input from other parts of the Council. The committee would like to see the incorporation of some risk rating within future reports.
- 6.6 In respect of complaint outcomes, the committee noted that there had been a decrease in the number of upheld complaints from the previous year. However, in the absence of a benchmark the committee was unable to tell whether this figure is good or bad. Siobhan Coldwell stated that compared to other local authorities the performance was good. She further advised that there were some areas where the Council could be definitive such as comparing complaints against contract performance.

6.7 The Committee asked how the complaints data can be used to address performance. The Chief of Staff stated that over time complaints data could be incorporated with performance monitoring information into a single report.

6.8 **ACTION:**

1. The committee would like information on complaints for Adults and Children Social Services and CityWest Homes which are not dealt with through the Council's complaints procedure as well as any complaints forwarded to the housing ombudsman.
2. The committee also requested specific detail on complaints within certain service areas as follow:
 - (i) The 8 complaints with allegations of incorrect charges which were all upheld; were they all within the same service?
 - (ii) within highways infrastructure and public realm and campaigns and engagement;
 - (iii) The complaint about staff rudeness or inappropriate behaviour which was upheld;
 - (iv) How many of the Housing Benefit complaints are explicit complaints versus queries about how an application is proceeding?

(Action for: Sue Howell, Complaints and Customer Manager)

7 FINANCE (PERIOD 6) AND QUARTER 2 PERFORMANCE BUSINESS PLAN MONITORING REPORTS

7.1 Dave Hodgkinson, Assistant City Treasurer, introduced the period 6 finance report which provided details of the forecast outturn in respect of revenue and capital and projected revenue and capital expenditure by Cabinet Member including key risks and opportunities. The report also included details in relation to the revenue and capital expenditure for the housing revenue account.

7.2 Cathy Mullins, Interim Head of Evaluation & Performance, introduced the Quarter 2 performance report which presented detailed results of the period April to September 2017 against the 2017-18 Business Plans. The report provided explanations and commentary in respect of outstanding, good and poor performance including achievements of targets and details of remedial action being taken where appropriate. Cathy Mullins referred the committee to a couple of minor errors in the report (risk on affordable housing being duplicated in the standing items section within GPH and within the risks and issues section within PPC the phrase "sub-prime subsidy" should read "super prime voluntary supplement")

- 7.3 The Committee had invited Ian Heggs, Tri-Borough Director of Schools, to the meeting to discuss and answer questions on a range of amber rated KPI's within Children's Services and in particular the performance challenges around completing Education, Health and Care (EHC) assessments within 20 weeks and transferring SEN statements to EHC plans.
- 7.4 Mr Heggs provided a contextual insight to the specific key service indicators. In relation to special education provision, he explained that the City Council had previously spent a significant amount of money on funding placements out of borough. However, in each of the last 5 years the Council has reduced this dependence and increased provision locally. One of the benefits of this being less travelling time for pupils. With regards to transferring SEN statements to EHC plans, Mr Heggs explained that since September 2014 the Children and Families Act requires local authorities to transfer all SEN statements to EHC plans. The Act extended the age range that support is available until but did not include any additional funding. The Council has inherited a large number of students with statements. A considerable number have statements which have been found to be out of date and need reviewing. Working with health colleagues, new assessments are being progressed.
- 7.5 Turning to the performance targets Mr Heggs advised that the service plan directorate aims to transfer all pupils with an SEN statement to an EHC by 31st March 2018. He advised that as at the end of October Children's Services had transferred a further 100 statements leaving 433 outstanding. The Department for Education had allocated and funded a former Head of SEN to assist the Council who was reporting directly to him. They had already helped to unblock issues. The Council had also outsourced EHCP report writing to an experienced agency with capacity. Many local authorities had also outsourcing this particular process. He expected performance to improve by the next quarter. While he was more concerned about meeting the targets for completing new assessments he advised that in October performance was above the aspirational target level.
- 7.6 **RESOLVED:** That concerns around the performance of completing EHC assessments within the 20 weeks and transferring SEN statements to EHC plans be referred to the Children, Environment and Leisure Policy and Scrutiny Committee for more detailed scrutiny. This should include a breakdown of the SEN cohort.

7.7 **ACTIONS:**

Finance (Period 6)

1. The committee would like future reports to include an explanation for any reprofiling of General Fund Capital Programme schemes and a detailed breakdown of Housing Revenue Account capital expenditure.
2. Provide details of the reasons for the overspend in the Sir Simon Milton University Technical College scheme. **(Action for: Steve Mair, City Treasurer)**

Quarter 2 Performance Monitoring Report

3. Organisational Health Scorecard – Workforce: Provide some context in future reports on how the outturn of around 14% - 15% annual staff turnover compares with other local authorities;
4. Organisational Health Scorecard – delivery: Are any of the active KPIs which are off track of target within critical service areas?
5. Provide a narrative in future reports where any impacts to achieving the overarching objectives of the Council or risks and issues within service directorates are being impacted by the move from Tri-Borough to Bi-borough services or MSP performance.
6. Integrate complaints data alongside the City Survey findings within future performance reports to provide better contextual insight on the reason behind complaints.
7. Adult Social Care
Clarification on the position reported for 'Number of Carers who received an assessment review KPI' and whether the outturn is cumulative and why the figure reported is low relative to last year. Also why the target is progressive and not ongoing (e.g. we aim to have 85% of carers assessed and reviewed throughout the year and not just by YE).
8. Waste & Parks (Street cleansing): the committee would like to know if any of the streets that have failed the street survey score for litter have a persistent litter problem and which streets these are. **(Action for: Mo Rahman, Evaluation and Performance Analyst)**
9. The committee would like a copy of the most recent performance report from CityWest Homes; **(Action for: Jonathan Cowie, CEO, CityWest Homes)**

8 AGREEMENT OF BI-BOROUGH SERVICES IN CHILDREN'S SERVICES, ADULT SOCIAL CARE AND PUBLIC HEALTH

- 8.1 The committee received a report that provided an update on progress in establishing a bi-borough agreement with the Royal Borough of Kensington and Chelsea for the delivery of Children's Services, Adult Social Care and Public Health.
- 8.2 Members were informed that the proposed new structures have sought to retain the principles that underpin the original Tri-Borough agreement. The key changes had been agreed with relevant Cabinet Member and will be subject to Cabinet approval in December. The structures have been subject to consultation with staff. Considerable effort had been spent mitigating the

potential financial impact of the move to a Bi-borough service, as well as ensuring that current service provision does not suffer as a result of the uncertainty being experienced by staff.

- 8.3 A plan is in place to ensure a smooth transition to minimise any risk to ongoing service delivery. The majority changes will 'go live' by 1st April 2018.
- 8.4 Siobhan Coldwell advised the committee that the performance issues around completing EHC assessments and improving compliance with SEN requirements predate the move from Tri-Borough to Bi-Borough Services.
- 8.5 The Committee noted that a small number of services in both Adult Social Care and Children's Services will continue to be shared with both RBKC and LBHF. The committee asked about the rationale behind this. Siobhan Coldwell explained that these are services which are better provided on scale, such as fostering and adoption. She explained that a number of Westminster children live in the other boroughs as that is where available carers are located. She advised that Westminster would continue to monitor the performance of these services.
- 8.6 Members asked whether the new integrated commissioning function would be in place from April. Siobhan Coldwell advised that the process for appointing a director was being progressed. She explained that recruiting and retaining good commissioners is challenging due to competition within the public health sector. However, the new integrated structure will provide attractive career development opportunities by enabling commissioners to work across three service areas.
- 8.7 **RESOLVED:** That progress in moving from a Tri-Borough to Bi-borough structure in Adult Social Care, Children's Services and Public Health be noted.

9 INTERNAL AUDIT 2017-18 PROGRESS REPORT (AUGUST - OCTOBER 2017)

- 9.1 The Committee considered the work carried out by the Council's Internal Audit service in the reporting period which found that in the areas audited internal control systems were generally effective with 16 positive assurance reviews (substantial or satisfactory) being issued, although two limited assurance audits (ASC Dementia Outreach Contract Management and Monitoring and Millbank Tenant Management Organisation (MEMO)) had also been issued since the last report to the committee. Ten follow up review completed in the period confirmed that the implementation of recommendations had been effective with the majority (90%) of recommendations fully implemented at the time of the review.
- 9.2 Moira Mackie, Senior Internal Audit Manager, informed the committee that a follow-up audit of the ASC Dementia Outreach Contract Management and Monitoring will be undertaken in 6 months' time to confirm that the agreed actions have been implemented by the service.

- 9.3 David Hughes, Tri-borough Director of Audit, Risk, Fraud and Insurance, informed members that the Internal Audit Service would be working with CityWest Homes to improve the clienting arrangements of TMOs. Progress will be reported to future committee meetings.
- 9.4 Members noted that under the Management Agreement, MEMO can manage major works. Although to date MEMO has not undertaken this role and there is a low probability that they would wish to this was of concern to committee members given the limited assurance issued. Reference was made to the Grenfell Tower fire as an example of the risks of giving such responsibilities to tenants who do not have the experience to undertake them. It was noted that CityWest Homes are aware of the risks associated with devolving this activity.

10 MID YEAR COUNTER FRAUD MONITORING REPORT

- 10.1 Steve Barry, Fraud Investigation Manager, introduced a report that provided an account of fraud related activity undertaken by the Tri-Borough Corporate Antifraud Service (CAFS) from 1 April 2016 to 30 September 2017.
- 10.2 The committee welcomed the news that since April 2017 CAFS has identified 100 positive outcomes against 70 in 2016/17 and that anti-fraud activity with a notional value of approximately £300,000 had been identified.
- 10.3 In relation to housing fraud, Committee Members commented that this is likely to be significantly greater than the Council believes is the case or is aware of. Members commented that when canvassing in Council owned housing blocks they had received indications by residents of subletting of social housing. Officers asked members to let them have any details of any suspected subletting so they could investigate. Members suggested that the service undertake an independent review of a sample social housing block to obtain an indication of the level of subletting taking place.
- 10.4 **ACTION:**
1. The committee would like to see a greater emphasis on prosecuting offenders in order to act as a deterrent to others.
 2. The committee would also like to see more detail on successful prosecution outcomes in future reports.
(Action for: Andy Hyatt, Head of Fraud)

11 WORK PROGRAMME AND ACTION TRACKER

11.1 RESOLVED:

1. That the work programme including the items for the next meeting on 1 February be noted.

2. That the responses to actions be noted.

12 EXEMPT REPORTS UNDER THE LOCAL GOVERNMENT ACT 1972

12.1 RESOLVED:

That under Section 100(A)(4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) the press and public be excluded from the meeting for the following item of business because it involves the likely disclosure of exempt information in relation to the financial or business affairs of the Authority and/or other parties and it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

13 UPDATE ON THE MANAGED SERVICES PROGRAMME

13.1 John Quinn, Bi-Borough Director of Corporate Services, introduced a briefing paper that provided an update on the position that had now been reached with BT and set out the detailed proposals for the implementation of a replacement solution.

13.2 The Committee discussed the issues set out in the report and submitted questions to Mr Quinn on the proposed replacement solution including governance arrangements, legal implications and key risk factors and mitigation.

13.3 **RESOLVED:** That the report be noted.

The Meeting ended at 9.01 pm

CHAIRMAN: _____

DATE _____

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Audit and Performance Committee Report

Decision Maker:	Audit and Performance Committee
Date:	1 February 2018
Classification:	General Release
Title:	External Audit Certification of Claims and Returns Annual Audit 2016/17
Financial Summary:	There are no direct financial implications arising from the report.
Report of:	Head of Revenues & Benefits

1. Executive Summary

- 1.1 External Audit annually review the grants that the City Council claims through a grants certification audit. The Council's external auditors (currently Grant Thornton) require the City Council to communicate the key messages from the grants certification audit with those charged with governance, which at Westminster is the Audit and Performance Committee.
- 1.2 The Grant Thornton report in relation to the financial year 2016/17 is shown at Appendix A.

2. Recommendation

- 2.1 That the Grant Thornton report is noted.

3. Grant Thornton Annual Review

3.1 The City Council is responsible for compiling grant claims and returns in accordance with the requirements and timescales set by central government.

3.2 Grant Thornton, as the Council's external auditor, annually review the grants the City Council claims through a grants certification audit. Grant Thornton require the City Council to communicate the key messages from the grants certification audit with those charged with governance, which at Westminster is the Audit and Performance Committee.

3.3 There were two returns / claims audited by Grant Thornton in relation to the 2016/17 financial year:

- Housing Benefit subsidy claim (£219M)
- Teachers' Pension return (£6.2M)

3.4 In terms of the Housing Benefit Subsidy claim Grant Thornton has made one recommendation in this year's report (the full report is shown at Appendix A):

“We recommend that the Council as part of its internal quality assurance process, should increase its focus or level of testing in respect of the areas where we identified errors from our testing”.

3.5 There were two relatively minor issues identified by the audit and reflected in the above recommendation.

- There was an issue with the calculation of earnings in a minority of cases. This issue has been reported to the DWP, the net effect on the claims identified is £91.98. This issue cannot be classified as a one off issue and the City Council has therefore taken action to increase the volume of earnings claims subject to checking before benefit is paid and has additionally enhanced the training of the benefit assessors in this area.
- An incorrect Extended Payment case was identified as part of the audit sampling. A full check of all Extended payments identified one further error. The total adjustment to the claim was £139, which is a one-off error. In order to ensure that this error does not re-occur in the future the Council will undertake a 100% check of such cases in March 2018 before submission of our 2017/18 subsidy claim.

3.6 In terms of the Teachers' Pension return Grant Thornton made one recommendation within this year's report (the full report is shown at Appendix A):

“We recommend that the Council work with Teachers Pensions to resolve data quality issues on the portal”

3.7 This recommendation was a result of a new audit test included in this year's review and is due to data quality issues within an annual return which updates members service information to the online Teachers Pension Scheme portal. There is no indication from this, or other audit testing, that incorrect pension contributions have been made.

3.8 Teachers Pensions have introduced a new system to upload data monthly, instead of annually. This will eliminate the need for an annual return next year and will resolve the issue noted in this year's audit. The council is in the pilot phase of this new system, with the aim of having this system live in February.

3.9 From sample testing of 20 teachers, one issue was identified with respect to the data upload, and coding on the online Teacher's Pension Scheme portal due to data quality issues noted above:

- Two instances of incorrect coding indicating a teacher had opted out, or had not enrolled in the scheme where it should have shown active pensionable service
- Thirteen instances of missing pensionable salary data.
- Two instances of teachers contributing to the scheme who were not on the portal

4 **Financial Implications**

4.1 It is important that grant claim requirements are complied with as they affect funding sources and funding assumptions in the City Council's business plans.

4.2 In terms of the Housing Benefit Subsidy claim:

- An adjustment of £139 was made to the claim in relation to the Extended Payment case.
- The earnings related cases were reported to the DWP for consideration, but, as Grant Thornton point out in their report, even an extrapolation would be relatively insignificant in relation to the total subsidy receivable.
- The overall fee for certification of the Council's claim was £29,880.

4.3 In terms of The Teachers' Pension return:

- No financial adjustments were made.

- The overall fee for the audit of The Teacher's Pension return was £3,500.

5. Legal Implications

5.1 There are no direct legal implications arising from this report.

If you have any queries about this report please contact: Martin Hinckley on 0207 641 2611 or at mhinckley@westminster.gov.uk



Grant Thornton

An instinct for growth™

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1 December 2017

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Certification work for the City of Westminster Council for year ended 31 March 2017

We are required to certify the Housing Benefit subsidy claim submitted by the City of Westminster Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £219.0 million. Further details are set out in Appendix A.

We identified one issue from our certification work in 2016/17 which we wish to highlight for your attention. For one case we identified a duplicate payment relating to the extended payment period. The Council tested all extended payment cases and identified one further error. The Council amended the claim accordingly.

In the previous year we identified an error in relation to the calculation of the claimant's earned income within the Housing Benefit calculation. Given the nature of the population the Council were required to test 40 cases where the claimant's earned income is included within the Housing Benefit calculation for 2016-17. Testing identified 6 cases where the Council has not used the appropriate earnings within the benefit calculation. The extrapolated financial impact on the claim, which we have reported to the DWP, was again relatively insignificant to the total subsidy receivable.

As a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £29,880. This is set out in more detail in Appendix B.

We have also undertaken an agreed upon procedures review of the Council's 2016/17 Teachers' Pensions contributions claim. The total contributions paid in 2016/17 was £6.2m. We identified one issue from this work. Our sample testing of 20 teachers selected to confirm the teacher's status on the portal as code 05 (Reckonable Service) indicating service is pensionable, identified teachers that were not on the portal, some teachers given incorrect codes and some dates not covering the 2016/17 period. Further details are set out in Appendix A.

For all 20 teachers sampled we were satisfied that the salary, and employee and employer contributions were correct. Therefore, no amendments have been made to the claim. We reported the above finding to teachers Pensions. There was no changes to the agreed fee of £3,500 as set out in Appendix B.

Yours sincerely

Paul Dosselt

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£219,019,701	Yes	£139	Yes	*See below
Teachers' Pensions	£6,281,294	No	Not Applicable	Yes	** See below

***Findings from certification of housing benefits subsidy claim**

Extended Payments

For one case we identified a duplicate payment relating to the extended payment period. The Council tested all extended payment cases and identified one further error. The Council amended the claim accordingly. The total amendments was £139.

Claimant income

In the previous year we identified an error in relation to the calculation of the claimant's earned income within the Housing Benefit calculation. Given the nature of the population the Council were required to test 40 cases where the claimant's earned income is included within the Housing Benefit calculation for 2016-17. Testing identified 6 cases where the Council has not used the appropriate earnings within the benefit calculation. The errors were classified as:

- 3 cases where the claimant was overpaid (total value £159)
- 2 cases where the claimant was underpaid (total value £251)
- 1 case where there was no impact on the Housing benefit award.

Recommended actions for officers

We recommend that the Council as part of its internal quality assurance process, should increase its focus or level of testing in respect of the areas where we identified errors from our testing.

****Findings from agreed upon procedures testing for the Teachers' Pensions return**

Our sample testing of 20 teachers selected to confirm the status on the Teachers' Pensions portal as code 05 (Reckonable Service) indicating service is pensionable, identified the following issues within the employer's TPS portal reports:

- One instance where the status of the teacher was recorded as 08 (opted out) since 1 January 2013. However, this teacher was auto enrolled when they took up a post at a new school on 16/12/2013. We have confirmed that employee contributions were deducted from this teacher's salary during the year. The portal should record Code 05.
- Two reports did not contain any details beyond 2014/15 year.
- Five reports did not contain any details beyond 2015/16 year.
- Four reports classified the teachers as a status 05 during 2016/17, but the latest details were early in the 2016/17 year and prior to the month we selected for testing
- Two reports contained no breakdown by period so we were unable to confirm that the status was 05 for the months selected for testing.
- Two teachers were not on the portal so we were unable to complete the test.
- One teacher incorrectly shows status 00 (Not Confirmed – Appointment only) on the portal.

For all 20 teachers sampled we were satisfied that the salary, and employee and employer contributions were correct. Therefore, no amendments have been made to the claim.

Recommended actions for officers

We recommend that the Council work with Teachers Pensions to resolve data quality issues on the portal.

Appendix B: Fees for 2016/17 certification work

Claim or return	2014/15 fee (£)	2015/16 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£29,880	£25,386	£22,410	£22,410	£0	Not Applicable
Teachers' Pensions	£3,500	£3,500	£3,500	£3,500	£0	Not Applicable



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	1st February 2018
Classification:	General Release
Title:	Grant Thornton Audit Plan for the Council's Financial Statements and the Pension Fund for the financial year 2017/18
Wards Affected:	All
Financial Summary:	Outlines the approach to be taken by Grant Thornton to auditing the Council's Financial Statements and the Pension Fund for the financial year 2017/18.
Report of:	Steven Mair, City Treasurer
Author:	Steven Mair Email: smair@westminster.gov.uk Tel: 0207 641 2904

1. Executive Summary

The external audit plan attached as **Appendix 1** outlines the work that Grant Thornton propose to undertake for the audit of the Council's Financial Statements and the Pension Fund for the financial year 2017/18. The plans are based upon Grant Thornton's risk based approach to audit planning. They reflect:

- The statutory requirements and proper practices with which the accounts are required to comply;
- A number of key areas of focus which are relevant to the Council's and the Pension Fund's local circumstances; and
- The Council's and the Pension Fund's local risks.

2. Recommendations

That the Committee considers and understands the basis on which Grant Thornton will be undertaking their audit of the Council's Financial Statements and the Pension Fund for the financial year 2017/18.

3. Reasons for Decision

These reports set out the audit framework and approach to be adopted by Grant Thornton for their audit of the Council's Financial Statements and the Pension Fund for the financial year 2017/18.

4. Background, including Policy Context

2017/18 Audit Plans

The Audit Plans outline the work that Grant Thornton proposes to undertake for the audit of the Council's Financial Statements and the Pension Fund for the financial year 2017/18. The report is split into the following key sections:

Introduction and headlines. This section sets out the scope and structure of the report including key messages.

Deep Business Understanding. This section documents Grant Thornton's understanding of the Council's business which informs their risk based approach.

Significant Risks Identified. This section reports risks which may require special audit attention because they have a higher risk of material misstatement in the accounts.

Reasonably Possible Risks Identified. This section documents other risks where there is a limited risk of material misstatement in the accounts in the view of Grant Thornton.

Other Matters. This sets out some other audit responsibilities.

Materiality. This sets out Grant Thornton's view of materiality which has been set at £20.103m which is comparable with the prior year figure of £20.901m.

Group scope audit and risk assessment. This section reports risks identified and audit approach to the Group Accounts which the council will have to prepare in 2017/18.

Value for Money (VFM) arrangements. This section identifies the approach to VFM work.

Audit Logistics, Fees and Audit Team. This details the Grant Thornton personnel who will be responsible for the audit of the 2017/18 Financial Statements and Pension Fund. In addition, audit fees payable are detailed.

Independence and Non-audit services. This section identifies key issues in respect of ensuring the integrity, objectivity and independence of the firm.

5. Financial Implications

There are no direct financial obligations arising from this report other than audit fees payable.

6. Legal Implications

There are no direct legal obligations arising from this report.

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

Steven Mair at smair@westminster.gov.uk or 0207 641 2904

BACKGROUND PAPERS

WCC Pension Fund Audit Plan 2017-18

Westminster City Council Audit Plan 2017-18

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External Audit Plan

Year ending 31 March 2018

Westminster City Council

1st February 2018

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Westminster City Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Westminster City Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit and Performance committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Performance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Fraud in revenue recognition – This risk has been rebutted for the Council as documented on page 5
- Management override of controls
- Valuation of property, plant and equipment
- Valuation of the appeals provision for National Non-Domestic Rates (Business Rates)
- Valuations of Pension Fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £20.103m (PY £20.901m), which equates to 1.95% of last year's gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. The threshold below which misstatements are to be considered clearly trivial has been set at £1.005m (PY £1.045m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified no significant VFM risks for this year.

Audit logistics

Our interim visit will take place in February 2018 and our final visit will take place in April 2018. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £185,719 (PY: £185,719) for the Council.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Deep business understanding

Changes to service delivery		Changes to financial reporting requirements		Key challenges	
<p>Commercialisation</p> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle.</p> <p>Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations.</p> <p>Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version is due to be published in December 2017.</p>	<p>Devolution</p> <p>The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas.</p> <p>The recent decision of London Boroughs to pool their business rates receipts is a step towards taking more control of the money raised via business rates and using it in the consideration of the region as a whole.</p>	<p>Accounts and Audit Regulations 2015 (the Regulations)</p> <p>The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p>	<p>Housing Revenue Account (HRA)</p> <p>DCLG has issued revised guidance on the calculation of the Item 8 Determination for 2017/18, which :</p> <ul style="list-style-type: none"> - extends transitional arrangements for reversing impairment charges and revaluation losses on dwelling assets and applies this principle to non-dwelling assets from 2017/18, - confirms arrangements for charging depreciation to the HRA and permitting revaluation gains that reverse previous impairment and revaluation losses to be adjusted against the HRA. 	<p>Financial pressures</p> <p>Westminster has consistently been in a stronger financial position than most other authorities and this is not expected to change in 2017/18. However pressures are not likely to ease in coming years, particularly as the circumstances surrounding Brexit will start to take shape, and the Council must adapt to the impacts that this has on both grant funding and the local economy.</p> <p>The Council has historically had sufficient reserves, but this could be impacted by the changes to IFRS 9 going forward where gains and losses from changes in fair value of assets will instead be recognised in surpluses and deficits in the Provision of Services.</p>	<p>Impacts of the Grenfell Tower fire</p> <p>The Grenfell Tower fire disaster in 2017 has led to the identification of approximately 150 high rise buildings in local authority ownership that have failed fire safety tests. Local authorities are expected to make these buildings fire safe. DCLG are reviewing the current restrictions on the use of the financial resources that prevent local authorities from making essential fire safety upgrades.</p> <p>The Council has worked closely with the Royal Borough of Kensington and Chelsea (RBKC) in the aftermath of the disaster so has a good understanding of the consequences on the local populations, and on RBKC.</p>

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, revised stock valuation guidance for the HRA and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; • the culture and ethical frameworks of local authorities, including Westminster City Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Westminster City Council.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness; • obtain a full listing of journal entries, identify and test unusual and/or significant journal entries for appropriateness; and • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	The Council revalues its land and buildings according to the rolling 5-year programme. An annual estimate is used to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.	<p>We will:</p> <ul style="list-style-type: none"> • review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • consider the competence, expertise and objectivity of any management experts used; • discuss with the valuer the basis on which the valuation is carried out and challenge the key assumptions; • review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding; • test revaluations made during the year to ensure they are input correctly into the Council's asset register; and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Appeals Provision for National Non-Domestic Rates (Business Rates)	The Council's provision for business rates appeals remains the largest in the country and is a highly material balance in the financial statements. The provision is based on significant judgements made by management and uses a complex estimation technique to prepare the provision.	<p>We will:</p> <ul style="list-style-type: none"> • monitor how the appeals process is affecting the Council and any planned changes in the methodology used to calculate the provision; • identify the controls put in place by management to ensure that the appeals provision is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • review assumptions made by management and the processes in calculating the estimate; • test the calculation and its agreement to supporting documentation; and • review the disclosures made by the Council in the financial statements.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring particular audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none">• identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;• evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation;• gain an understanding of the basis on which the valuation is carried out;• undertake procedures to confirm the reasonableness of the actuarial assumptions made; and• check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Employee remuneration</p>	<p>Payroll expenditure represents a significant percentage 11% of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; • agree that payroll costs are complete within the financial statements via review of the reconciliations between the payroll system and the General Ledger; and • We are seeking to gain assurances via a trend analysis and detailed analytics to ensure pay is materially complete. If this is not possible we will undertake further substantive testing of a sample of employees.
<p>Operating expenses</p>	<p>Non-pay expenses on other goods and services also represents a significant percentage 89% of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • perform detailed substantive testing on operating expenditure recorded for the financial year; and • test operating expenditure to ensure cut-off has been correctly applied.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

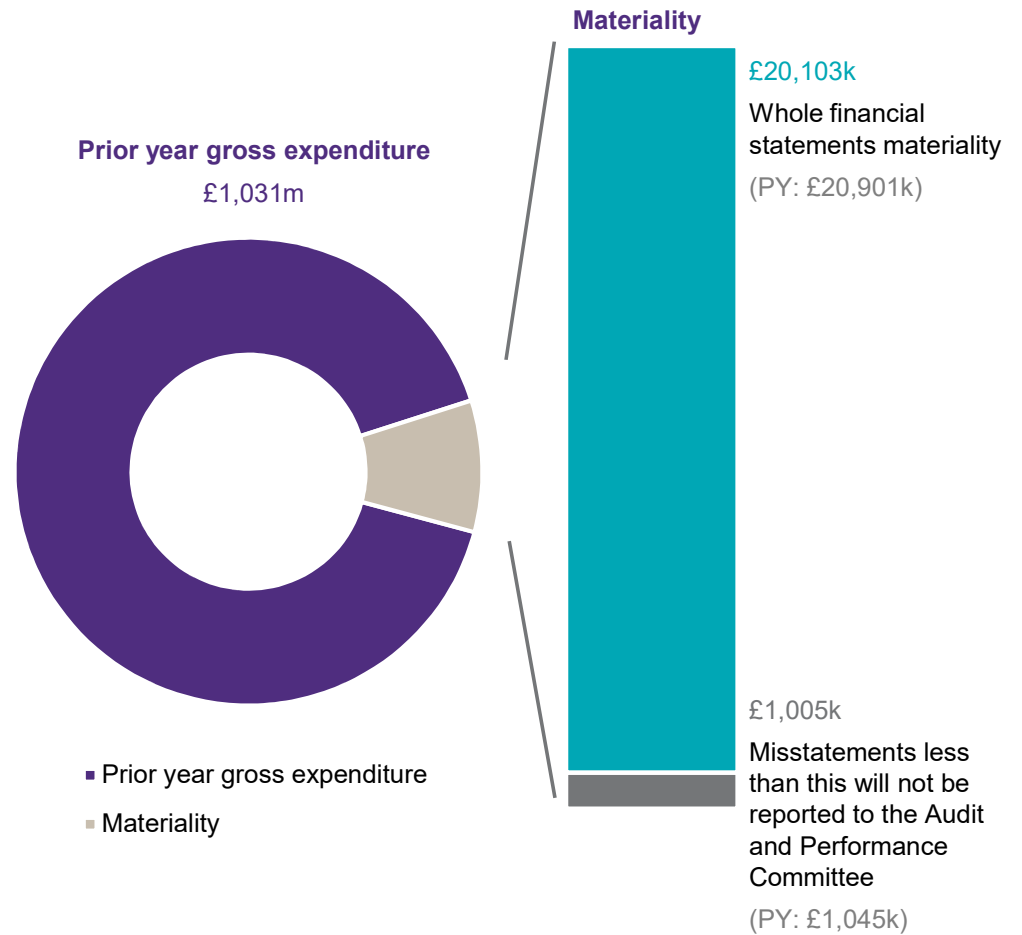
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £20,103k (PY £20,901k), which equates to 1.95% of your prior year gross expenditure. We increased this level from 1.85% in the prior year due to improvement in the general ledger control environment. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Matters we will report to the Audit and Performance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Performance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1,005k (PY £1,045k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Performance Committee to assist it in fulfilling its governance responsibilities.



Group audit scope and risk assessment

The Council will be preparing group accounts for the first time for the 2017/18 financial year as elements of the financial statements of CityWest Homes Ltd and Westminster Community Homes Ltd are material to the financial statements of the Council.

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
CityWest Homes Ltd	Yes	Targeted	<p>CityWest Homes constitutes a significant component of the Council's group, and is wholly owned by the Council.</p> <p>Elements of the financial statements of CityWest Homes including the pension liability is material to the financial statements of the Council.</p>	<p>The audit of CityWest Homes is delivered by a separate auditor.</p> <p>We will perform sufficient work to enable us to gain assurance that the Council's group financial statements are not materially misstated.</p>
Westminster Community Homes Ltd	Yes	Targeted	<p>Westminster Community Homes constitutes a significant component of the Council's group, and is controlled by the Council.</p> <p>Elements of the financial statements of Westminster Community Homes including the tangible fixed assets are material to the financial statements of the Council.</p>	<p>The audit of Westminster Community Homes is delivered by a separate auditor.</p> <p>We will perform sufficient work to enable us to gain assurance that the Council's group financial statements are not materially misstated.</p>

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Audit scope:

Comprehensive – the component is of such significance to the group as a whole that an audit of the components financial statements is required

Targeted – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

Analytical – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Value for Money arrangements

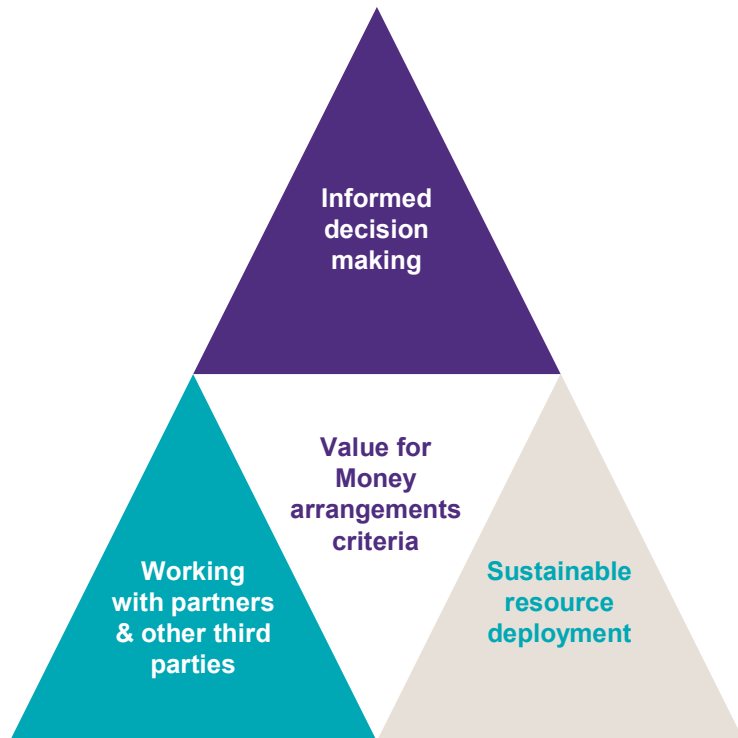
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.

We have not identified any significant risks from our initial risk assessment.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

Audit logistics, team & audit fees



Paul Dossett, Engagement Lead

Paul will be the main point of contact for the Chief Executive, City Treasurer, Section 151 Officer and Members. Paul will share his wealth of knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with Members and the Audit and Performance Committee. Paul will ensure our audit is tailored specifically to you and is delivered efficiently. Paul will review all reports and the team's work.



Paul Jacklin, Senior Manager

Paul will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Paul will attend Audit and Performance Committees undertake reviews of the team's work and draft reports ensuring they remain clear, concise and understandable to all. Paul will work with Internal Audit to secure efficiencies and avoid any duplication, providing assurance for your Annual Governance Statement.



Laurelin Griffiths, Assistant Manager

Laurelin will assist Paul in working closely with the senior members of the team to ensure issues are resolved efficiently and that the work is delivered on time. Laurelin will supervise Chloe in leading the on-site team and be a further point of call throughout the audit, reviewing the team's work and delivering the Value for Money conclusion.



Chloe Edwards, In-charge Auditor

Chloe will lead the onsite team and will be the day to day contact for the audit. Chloe will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Chloe will undertake the more technical aspects of the audit, coach the junior members of the team and review the team's work.

Audit fees

The planned audit fees are no less than £185,719 (PY: £185,719) for the financial statements audit. Our fees for grant certification are £22,410 and cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited.

Fees in respect of other grant work, such as reasonable assurance reports, are shown on the next page, which details non-audit services.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we will meet regularly with key members of the finance team to discuss the timing and requirements of our work.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Audit related services

The following services were identified:

Service	Fees £	Threats	Safeguards
Audit related			
Certification of the Teachers Pension Return	3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,500 in comparison to the total fee for the audit of £185,417 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Certification of Pooled Capital Receipts	TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work (which will be similar to the Certification of the Teachers Pension Return) in comparison to the total fee for the audit of £185,417 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Non Audit related			
Subscription to CFO insights	9,500	None	Not applicable

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Appendices

A. Revised ISAs

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Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



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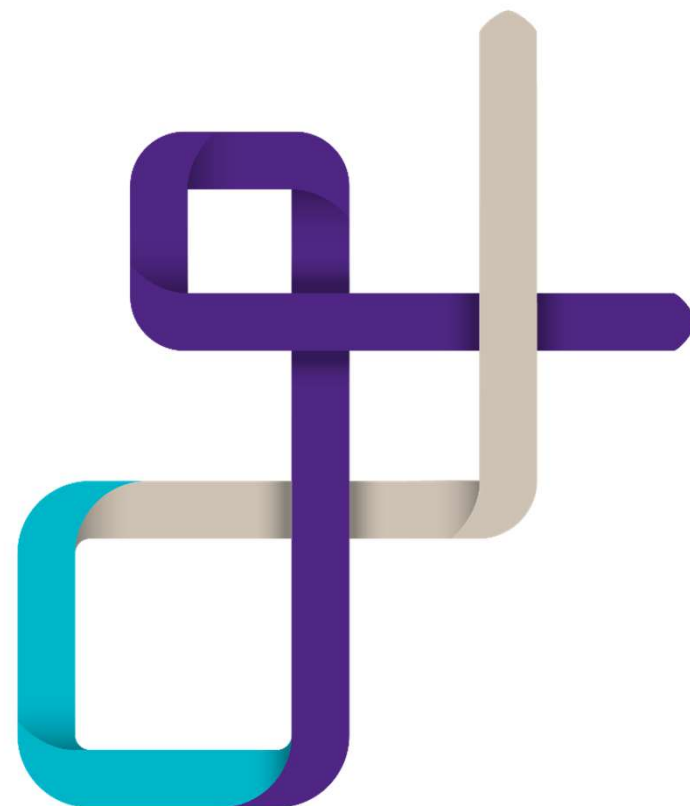
External Audit Plan

Year ending 31 March 2018

City of Westminster Council Pension Fund

1 February 2018

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of City of Westminster Pension Fund ('the Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of City of Westminster Pension Fund. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Performance Committee).

The audit of the financial statements does not relieve management or the Audit and Performance Committee and the Pension Fund Committee of your responsibilities.

Our audit approach is based on a thorough understanding of the Fund's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Fraud in revenue recognition – This risk has been rebutted for the Fund as documented on page 5
- Management override of controls
- Valuation of Level 3 investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £12.7m (PY £11.4m), which equates to 1% of your net assets. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.63m (PY £0.57m).

Audit logistics

Our interim visit will take place in March 2018 and our final visit will take place in April 2018. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £21,000 (PY: £21,000) for the Fund. Where requests are received from other auditors of other bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee on a case by case basis.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Deep business understanding

Changes to service delivery

Pooling

Arrangements for the pooling of investments continue to develop. The DCLG have reported on the progress of pools and noted the pace of development, including the launching of procurements for pool operators, appointing senior officers and preparing applications for Financial Conduct Authority authorisation. This remains a challenging agenda, with arrangements required to be in place from 1 April 2018. These arrangements will have a significant impact on how investments are managed and monitored, with much of the operational responsibility moving to the pool operator. It remains key that administering authorities (through Pension Committees and Pension Boards) continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements. We will continue to discuss with officers their plans for asset pooling in the London CIV and the implications that this will have on both the investment policy and governance arrangements of the fund.

Markets in Financial Instrument Directive (MiFID II)

January 2018 see the implementation of MiFID II. The impact for Fund is that to be able to continue to access the same investments as previously, they need to apply to 'opt up' and gain election to professional status. Without this change in status some financial institutions could terminate their relationship with the fund, which may have an adverse impact on the achievement of the investment strategy.

On-going Matters

- Indexation and equalisation of GMP in public service pensions schemes
- Reforms to public sector exit packages and the application, or not, of the 2013 Fair Deal changes to the LGPS
- SAB work on options for academies within the LGPS and review of Tier 3 employer risks.

Changes to financial reporting requirements

Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced minor changes to the 2017/18 Code, these include a new disclosure of investment manager transaction costs and clarification on the approach to investment concentration disclosure.

Key challenges

Financial pressures

The last triennial valuation at 31 March 2016 reported that the Fund had assets sufficient to cover 80% of the accrued liabilities. This is an improvement from 74% as at 31 March 2013. The smoothed funding level has increased to 87% as at 30 June 2017. The average employer contribution at 31 March 2016 was 16.9% of Pensionable pay in order to cover the cost of future benefits being built up by active members. The Fund is not expected to draw-down cash from investments for 2017/18 due to £20 million that is due to be paid into the fund, as recommended in the triennial valuation.

General Data Protection Regulations (GDPR)

GDPR comes into effect in May 2018 and replaces the Data Protection Act 1998. It introduces new obligations on data controllers. The Fund is both a data controller and a data processor and needs to ensure that it has appropriate processes in place to comply with the changes being introduced.

tPR 2016 Governance and Administration Survey

Published in May 2017 whilst showing improvements in governance tPR noted that its focus for 2017-18 would be scheme governance, record keeping, internal controls and member communication and that tolerance for scheme shortcomings in these areas was reducing and that they were more likely to use their enforcement powers where scheme managers have not taken sufficient action to address issues or meet their duties.

Our response

- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code.
- We will follow up our prior year recommendations relating to the full implementation of the Pensions Improvement Plan and commencement of checks of pensioners domiciled abroad.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the City of Westminster Council as the Administering Authority of the City of Westminster Pension Fund, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for the City of Westminster Pension Fund.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness; • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness; • evaluate the rationale for any changes in accounting policies or significant unusual transactions; and • review of unusual significant transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The valuation of Level 3 investments is incorrect	Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	<p data-bbox="1198 300 1332 331">We will:</p> <ul data-bbox="1198 347 2188 777" style="list-style-type: none"><li data-bbox="1198 347 2188 427">• gain an understanding of the Fund’s process for valuing level 3 investments and evaluate the design of the associated controls;<li data-bbox="1198 435 2188 531">• review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments;<li data-bbox="1198 539 2188 619">• consideration of the competence, expertise and objectivity of any management experts used;<li data-bbox="1198 627 2188 722">• review the qualifications of the expert used to value Level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached; and<li data-bbox="1198 730 2188 777">• verify the investment balances to fund manager and custodian reports.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Contributions	Contributions from employers and employees' represents a significant percentage of the Fund's revenue.	We will: <ul style="list-style-type: none"> • evaluate the Fund's accounting policy for recognition of contributions for appropriateness; • gain an understanding of the Fund's system for accounting for contribution income and evaluate the design of the associated controls; • test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and • rationalise contributions received with reference to changes in member body payrolls and the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained.
Pension Benefits Payable	Pension benefits payable represents a significant percentage of the Fund's expenditure.	We will: <ul style="list-style-type: none"> • evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls; • test a sample of individual pensions in payment by reference to member files; and • rationalise pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

Reasonably possible risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The valuation of Level 2 investments is incorrect	While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.	<p>We will</p> <ul style="list-style-type: none">• gain an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls;• review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments;• consider the competence, expertise and objectivity of any management experts used;• review the qualifications of the expert [insert fund manager or custodian if used] to value the level 2 investments at year end and gain an understanding of how the valuation of these investment has been reached; and• for a sample of investments, test the valuation by obtaining independent information from custodian/manager on units and unit prices.

Other matters

Other work

The Fund is administered by Westminster City Council (the 'Council'), and the Fund's accounts form part of the Council's financial statements. Therefore as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Fund, such as:

- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

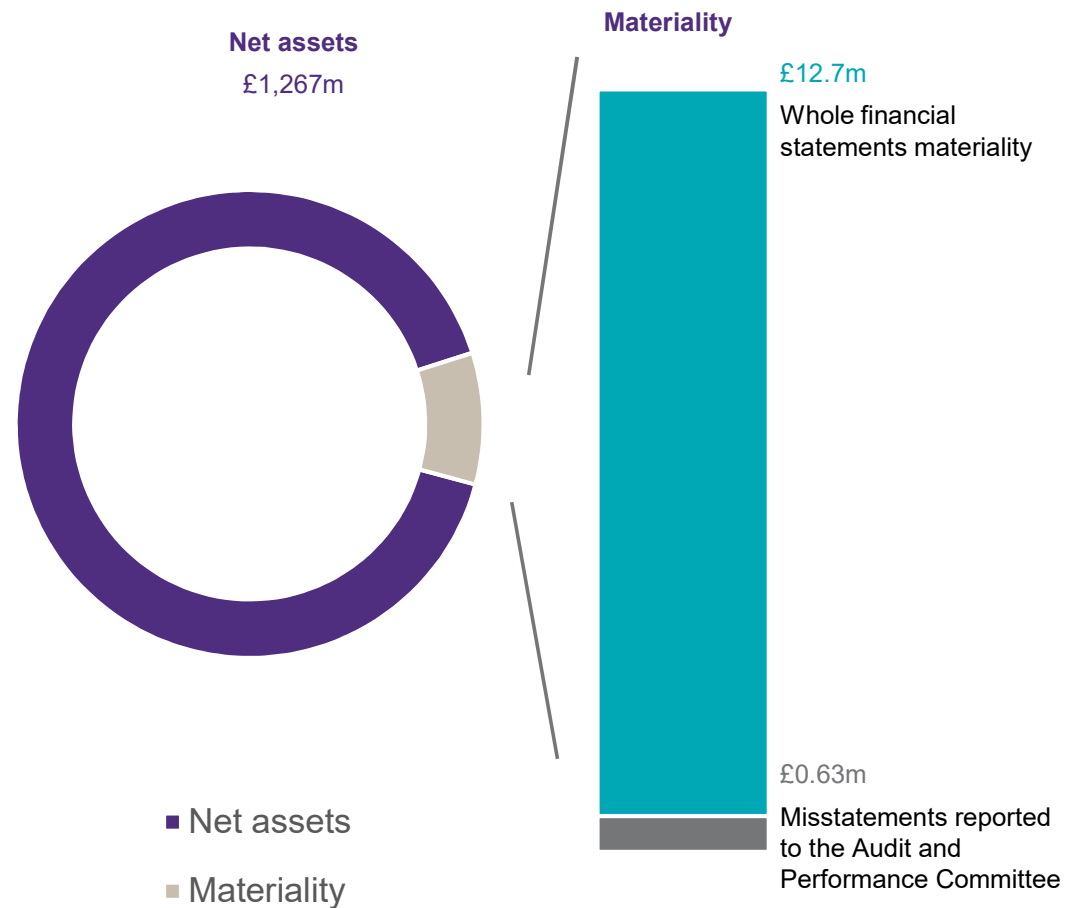
We propose to calculate financial statement materiality based on a proportion of the net assets of the Fund for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £12.7m (PY £11.4m), which equates to 1% of your net assets for the prior year. We increased this level from 0.9% in the prior year due to improvement in the general ledger control environment. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit and Performance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Performance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.63m (PY £0.57m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Performance Committee to assist it in fulfilling its governance responsibilities.



Audit logistics, team & audit fees



Paul Dossett, Engagement Lead

Paul will be the main point of contact for the, City Treasurer, Section 151 Officer and Members. Paul will share his wealth of knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with Members and the Audit and Performance Committee. Paul will ensure our audit is tailored specifically to you and is delivered efficiently. Paul will review all reports and the team's work.



Marc Chang, In-charge Auditor

Marc will lead the onsite team and will be the day to day contact for the audit. Marc will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Marc will undertake the more technical aspects of the audit, coach the junior members of the team and review the team's work.



Paul Jacklin, Senior Manager

Paul will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Paul will attend Audit and Performance Committees undertake reviews of the team's work and draft reports ensuring they remain clear, concise and understandable to all.



Laurelin Griffiths, Manager

Laurelin will assist Paul in working closely with the senior members of the team to ensure issues are resolved efficiently and that the work is delivered on time. Laurelin will supervise Marc in leading the on-site team and be a further point of call throughout the audit, reviewing the team's work.

Audit fees

The planned audit fees are no less than £21,000 (PY: £21,000) for the financial statements audit. In setting your fee, we have assumed that the scope of the audit, and the Fund and its activities, do not significantly change.

Where requests are received from other auditors of other bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee on a case by case basis.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we will meet regularly with key members of the finance team to discuss the timing and requirements of our work.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fund.

There are no audit related and non-audit services were identified for the Fund for 2017/18.

Appendices

A. Revised ISAs

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Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Fund's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Fund's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



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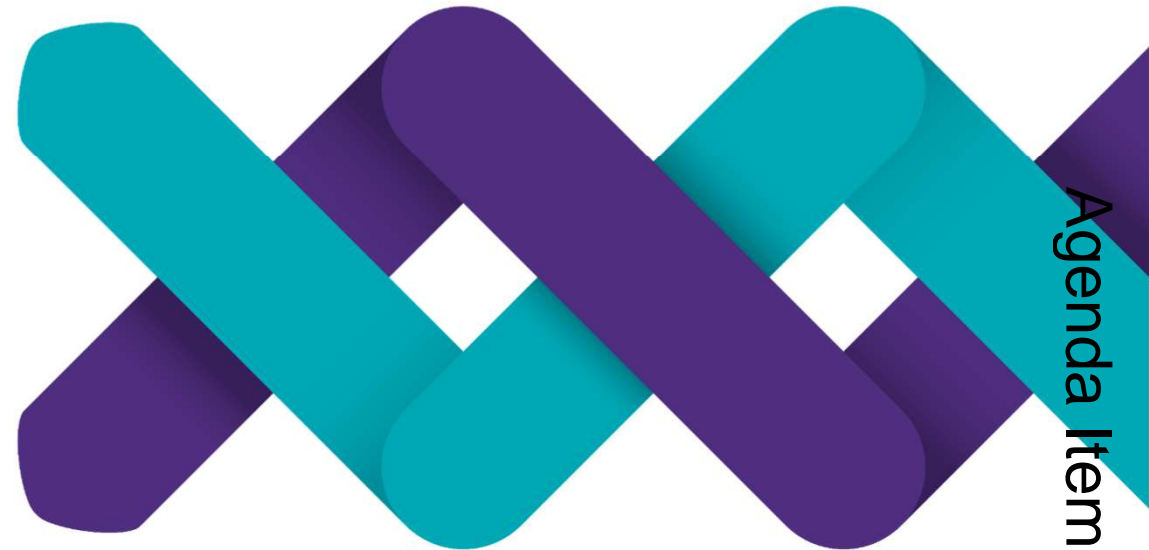
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Audit Progress Report and Sector Update

Westminster City Council
Year ending 31 March 2018
January 2018



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Introduction



Paul Dossett

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This paper provides the Audit and Performance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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Paul Jacklin

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Members of the Audit and Performance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



Laurelin Griffiths

Manager

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Progress at 10 January 2018

Financial Statements Audit

We have completed our planning for the 2017/18 financial statements audit and we have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We have commenced our interim audit which has included:

- Review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues

We are due to undertake our early substantive testing in February 2018.

We will report any findings to you in our Audit Findings Report at the April Audit and Performance Committee.

The final accounts audit is due to begin on the 3 April 2018 with findings reported to you in the Audit Findings Report in April 2018.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We have undertaken our initial risk assessment and have not identified any significant risks.

We will report our work in the Audit Findings Report.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions.

The results of the certification work are reported to you in our certification letter which is a separate item on the agenda.

Meetings

We continue to meet regularly with finance to discuss emerging developments, the Council's strategic goals and objectives and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our next event is the Local Government Chief Accountants workshops that are held in our Finsbury Square offices on 2nd, 9th and 19th of February. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit and Performance Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	February 2018	This is on the February agenda
Audit Findings Report The Audit Findings Report will be reported to the April Audit and Performance Committee.	April 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	By July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:



Public Sector



Local
government

Through a local lens: SOLACE summit 2017

The Industrial Strategy matters to places but places also matter to the Industrial Strategy.

This was a strong message coming out of discussions at the recent SOLACE (Society of Local Authority Chief Executives) summit where we facilitated 100 local authority CEOs and senior leaders to consider how the Industrial Strategy could be brought to life at a local level.

For some time now we have engaged in an ongoing and inclusive dialogue with communities and business, local authority and third sector leaders from across the country, to share aspirations, ideas and insight focused on building a vibrant economy for the UK. These discussions have helped to form the basis of our Vibrant Economy 'Blueprint for the UK' and they will go on to inform our recommendations to Government around a place-based approach to the Industrial Strategy.

This year's summit provided us with an invaluable opportunity to take this dialogue further.

We focused on the integral role local government will have in delivering the Industrial Strategy. Delegates applied a local lens to the national growth agenda, encouraging them to consider what strategies and approaches were already working in their place; what they could be doing more of to support growth in their area, and how they could steer the Industrial Strategy agenda from a local level.

Using the appreciative inquiry technique, we discussed the following questions:

What role would leaders and local institutions be playing if they were delivering positive outcomes from the industrial strategy?

Looking ahead and considering our diverse local authority agendas, the industrial strategy and surrounding policy landscape what aspects might work well for everyone?



You can see and hear what delegates thought on our [website](#)

Combined Authorities: Signs of Success

In her foreword to 'Building our Industrial Strategy' the Prime Minister states that the initiative "will help to deliver a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom, not just the most prosperous places in London and the South East."

Combined Authorities (CAs) – the newest model for the governance of local public services – are central to this.

In response to this, Grant Thornton and Bond Dickinson have jointly commissioned a report which provides an insight into the establishment of each combined authority in the context of their specific challenges. It is still early days for most combined authorities – the political and administrative difficulties of adopting this model are not to be under-estimated - but early signs are emerging of their potential to innovate and drive success.

The report benchmarks combined authorities using key indicators of growth, housing, transport and skills amongst others. We have also used our Vibrant Economy Index, which goes beyond financial returns and takes into account the wellbeing of society, to compare city regions. We believe that these benchmarks can serve as a baseline for assessment of progress over time.

Key findings from the report:

- CAs must begin to reduce the institutional blurring with historic local government structures that has occurred with their formation. As greater clarity emerges over their roles, functions, and profiles of individual mayors, their perceived legitimacy will increase.
- CAs stand and fall on their ability to add value through targeted investment, strategic co-ordination, joined-up policy and the leveraging in of additional resources (particularly additional private sector funds).
- There is no single checklist or set of criteria for measuring the success of mayors and combined authorities, each city region must articulate its own challenges and show progress in tackling them.
- A balanced set of benchmarks encompassing both economic and social success will, however, serve as a useful stimulus for the debate around the impact of the combined authority model over time.

[Click on the report cover to download and read more.](#)



Grant Thornton Publication

Challenge question:

Is your Council considering how the combined authority model may evolve?



Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



Grant Thornton Publication

Challenge question:

Is your Council considering the risks and governance issues for its commercialisation agenda?



Cost Assurance

Did you know....

40

Number of Public Sector engagements to date

£125m

Annual spend analysed

£3.55m

Rebate opportunities identified

£1.1m

Fee income identified

2.84%

Error rate – rebates versus spend volume

55%

Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

Grant Thornton Challenge question:

Has your Council considered the potential for an independent review of telecommunications and utility costs?

Overview of General Data Protection Regulation (GDPR)

What is it?

GDPR is the most significant regulatory data protection development in 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that might reasonably be used to identify a living individual, either directly or indirectly. Various unique identifiers (including online cookies and IP addresses) will likely fall within the scope of personal data

What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

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Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

Notifications and Rights

- Organisations must notify relevant incidents to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Claims and Fines

- Privacy regulators can impose penalties of up to €1 million on public sector organisations, for the most serious violations
- Individuals and representative organisations may be able to seek compensation for infringements of data protection rights

GDPR

Challenge question:

Can your Council effectively erase Personally Identifiable Data?

Have you appointed a Data Protection Officer?

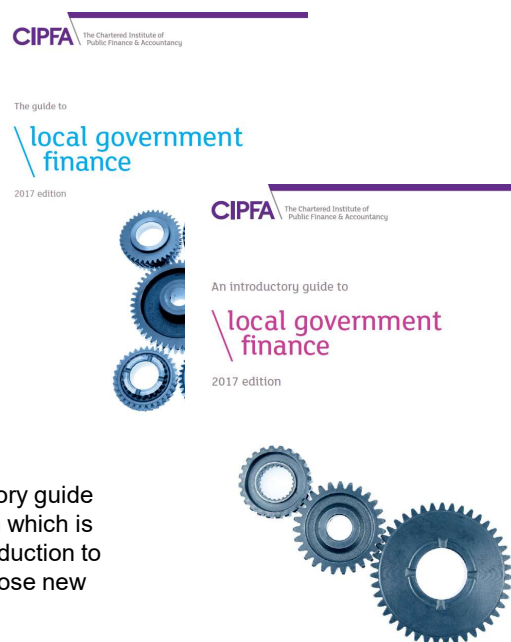
How will your authority ensure citizens' data isn't duplicated across different information siloes without their knowledge?

CIPFA publications

CIPFA have published 'The guide to local government finance' 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management.

The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies including:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.



CIPFA have also published 'An introductory guide to local government finance' 2017 edition which is aimed at those requiring more of an introduction to local government finance for example, those new to the sector or non finance specialists.

CIPFA have updated their guidance on the key considerations in setting up and managing a pooled budget in the publication 'Pooled Budgets and the Better Care Fund: A Practical Guide for Local Authorities and Health Bodies' (2017 Edition)

Although pooled budgets have operated widely across health and social care for a long time, they were brought into prominence by the Better Care Fund, introduced in 2015–16.

The aim of CIPFA's guidance is to define the basic principles of financial management, governance and accountability that partners in budget pooling arrangements or, indeed, other forms of partnership working, should follow, and to consider the relevant accounting issues.

The guide provides practical tools such as a checklist of matters to consider, an example of how to decide which agency should lead the arrangement, a model scheme of delegation to boards. The guide considers the background to budget pooling, including the purpose of pooling, the basics of partnership arrangements, and some other options available to health and social care organisations pursuing similar objectives. It goes on to consider specific issues arising from pooling: managing a pooled budget, corporate governance, financial management, audit and assurance, and VAT. These matters then feed into an appendix on accounting issues.

CIPFA Publication

Challenge question:

Are these publications of use to you?



DCLG Consultation

DCLG are currently consulting with Local Authorities and other interested parties on proposed changes to the prudential framework of capital finance.

The statutory framework for the Prudential System is set out in Chapter I of the Local Government Act 2003 and in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The framework includes four statutory codes. Alongside CIPFA's Prudential Code and Treasury Management Code, the DCLG is responsible for Statutory Guidance on both Local Authority Investments and on the Minimum Revenue Provision.

Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The Government has also monitored changes in the practices used for calculating Minimum Revenue Provision.

As a result the Department for Communities and Local Government is seeking views on proposals to update the guidance on Local Authorities Investments and on Minimum Revenue Provision for full implementation in 2018/19. This consultation closes on 22 December 2017 and may be accessed [here](#).

Local Authorities Investment Code

The Government recognises that there is great variation in the objectives and nature of local authority investment, including local economic regeneration projects, however it believes that local authorities need to be better at explaining "why" not just "what" they are doing with their investment activity.

That means that the sector needs to demonstrate more transparency and openness and to make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

To this end a number of proposals are made including requiring local authorities to:

- prepare a Capital Strategy which includes clear disclosure of the Investment Strategy
- disclose the contribution that investment activities make to their core functions
- use indicators to assess total risk exposure
- apply the principles of prioritising security and liquidity over yield for investment in non financial assets (in the same way that they are required to do for financial assets)
- disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income
- disclose additional information where authorities borrow to invest in revenue generating investments
- Disclose steps to ensure expertise of key officer and councillors involved in the decision making process.

Minimum Revenue Provision Guidance

Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements. Given the changes in current practice and recent interest, the Government feels that it is time to look into updating the guidance as part of the more general update of the statutory codes comprising the prudential system. Four proposals are made:

- change to the definition of the basis of MRP
- confirmation that a charge to the revenue account cannot be a credit
- confirmation that a change to the MRP methodology would not generate an overpayment of MRP calculated retrospectively
- Introduces maximum useful economic lives for MRP calculations based on asset life

DCLG consultation

Challenge question:

- Is your **Chief Finance Officer** planning to respond to the consultation?



Local Authority 2016/17 Revenue Expenditure and Financing

DCLG has produced a summary of Local Authorities' 2016/17 final outturn for revenue spending and financing. It notes that local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure.

The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

Local authority revenue expenditure totalled £93.6 billion for all local authorities in England in 2016-17. This was 1% lower than £94.5 billion spent over 2015-16.

- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. The 2016-17 financial year was the first year where local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.75 billion (2.2%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.4 billion of this increase is due to the Greater London Authority.

The full report is available [here](#).

Did you know....

This data set and many others are included in CFO Insights.

CFO Insights, is the Grant Thornton and CIPFA online analysis tool.

It gives those aspiring to improve the financial position of their organisation, instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

CFO Insights

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/through-a-local-lens-solace-summit-2017/>

<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

<http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

<http://www.cfoinsights.co.uk/>

CIPFA website links

<http://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

<http://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/p/pooled-budgets-and-the-better-care-fund-a-practical-guide-for-local-authorities-and-health-bodies-2017-edition>

DCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2016-to-2017-final-outturn>



City of Westminster

Audit and Performance Committee Report

Date:	1 February 2018
Classification:	General Release
Title:	Maintaining High Ethical Standards at the City Council
Wards Affected:	All
Financial Summary:	N/A
Report of:	Tasnim Shawkat, Director of Law and Monitoring Officer.
Author:	Reuben Segal Senior Committee and Governance Officer Email: rsegal@westminster.gov.uk

1. Executive Summary

- 1.1 This annual report to the Audit and Performance Committee is submitted in accordance with the Committee's following term of reference:

"To maintain an overview of the arrangements in place for maintaining high ethical standards throughout the Authority and in this context to receive a report annually from the Director of Law".

The Director of Law also serves as the Council's Monitoring Officer which is a statutory appointment under the provisions of Section 5 of the Local Government and Housing Act 1989. One of the roles of the Monitoring Officer is to advance good governance and ensure the highest standards of ethical behaviour are maintained through the effective discharge of their statutory duties.

- 1.2 'Ethical governance' lies at the very heart of the way in which an organisation is run, how its business is transacted and how its decisions are taken.
- 1.3 At the City Council we recognise that ethical governance is not simply a matter for the 'decision-makers at the top' but is applicable to all those who work for or in conjunction with the organisation – our elected Members, our staff and our contractors are all expected to adhere to the highest standards of conduct and

behaviours. In this context the report will detail how we maintain ethical governance in each case. In compiling this report the Director of Law relies on information provided by or on behalf of Directors of a number of services.

The areas covered in this year's report are the following:

- Tri-Borough Internal Audit Service;
- Ethical governance complaints monitoring
- Ethical governance at Member-level;
- Ethical governance in relation to staff and service areas
- Ethical governance in relation to the Council's contractors and procurement.

2. Recommendations

- 2.1 That the annual report and actions taken to maintain high standards of ethical governance throughout the authority be noted;
- 2.2 That the Committee suggest any areas of ethical governance which have not been addressed in this report, for inclusion in the next annual report;

3. Tri-Borough Internal Audit Service

- 3.1 The Council's Internal Audit & Fraud Investigation Service reviews policies, procedures and governance arrangements across the Council's Services and promotes a culture of zero tolerance in respect of fraud, corruption and mismanagement. Fraud awareness training is available to service areas where a need has been identified and a quarterly newsletter entitled *Fraud in Brief*, informs staff of emerging fraud risks, encourages fraud reporting and to maintains awareness ([Fraud Home Page](#)).

How Ethical Governance Complaints are dealt with

- 3.2 The Council's [Anti-Fraud & Corruption Strategy 2016-2019](#) sets out the Council's overall policy on fraud and corruption and states that if fraud, corruption or any misconduct directed against the Council is suspected, this should be reported immediately.
- 3.3 The Officers' Code of Conduct reinforces the requirement for all staff to be vigilant and describes how they should raise any concerns they may have. Further guidance is also provided in the Council's Whistleblowing at Work policy and the Fraud Response Plan.
- 3.4 Support from members of the public is also important in combating fraud and corruption, and facilities are provided to enable them to report their concerns,

including an electronic “Report a Fraud’ facility on the internet and a more traditional Fraud Hotline. The majority of referrals via these channels provide information regarding unlawful subletting, the abuse of residents’ or disabled parking badges and possible fraud in respect of welfare benefits (which are redirected to the Department for Work and Pensions).

- 3.5 The Council’s Fraud Response Plan provides guidance on the action to be taken when a fraud or corruption complaint is received, and details action to be taken to ensure the Council can;
- Minimise and recover losses
 - Establish and secure evidence necessary for criminal and disciplinary action
 - Take disciplinary action against those involved
 - Review the reasons for the incident and ensure that actions are implemented to strengthen procedures and prevent recurrence.
- 3.6 Any suspicion of fraud will be treated seriously and will be investigated in accordance with the Council’s procedures and the relevant legislation including the Fraud Act 2006.

4. Ethical Governance Complaint Monitoring

- 4.1 As part of the arrangements in place for maintaining high ethical standards throughout the Authority, in March 2007 the Standards Committee endorsed a definition of what constitutes an ethical governance complaint so that Departments can identify and refer any ethical governance complaints to the appropriate persons, and consistently record such complaints.

The definition of an ethical governance complaint as endorsed by the Standards Committee is as follows:

“An alleged breach of the high standards of ethical conduct set out in the codes of conduct for officers and Members”

- 4.3 As the Tri-Borough Internal Audit Service investigate allegations of fraud, bribery and corruption, it is not appropriate for such ethical governance complaint issues to be investigated under the Council’s normal complaints procedure. However, if such a complaint is raised under the complaints procedure, the complainant will be advised that the matter will be referred to the Fraud Investigation Team to take the appropriate action.
- 4.4 The Corporate Complaints Team is a distinct service to that of the Fraud Investigation Team and is based within the Corporate Services Department. The team has overall responsibility for the management and development of the Corporate Complaints procedure and for the compilation of the Annual

Complaints Review. The Annual Complaints Review for 2016/17, which went to Audit and Performance Committee on 23 November 2017, did not report on any complaints which meet the definition of an ethical governance complaint as none were reported to the Complaints Team. Adults and Children Social Care Services each have their own separate statutory complaints procedure. Neither have received any complaints which meet the definition of an ethical governance complaint.

- 4.5 As part of monitoring ethical governance complaints service areas are reminded on a quarterly basis what constitutes an ethical governance complaint, and they are also asked if any ethical governance complaints have been dealt with under the Council's complaint procedure. It is not unusual for Departments to report that no ethical governance complaints have entered the complaints procedure and as already explained it is a matter of general practice that allegations of this nature are usually referred to Internal Audit for investigation as appropriate.

5. Ethical governance at Member-level

- 5.1 The Council's Standards Committee meets three times per annum. Since last year's report the Committee has welcomed the introduction of a Member Development Programme which has commenced and from 2018 will be held over 9 dates which have been included in the Council's calendar. Whilst these will focus on service issues a range of governance subjects will also be included.
- 5.2 In order to maintain some independent input the Standards Committee have continued to welcome the Council's Independent persons to its meetings. The Committee have also reviewed the proposed Member Induction Programme to be held following May 2018 City Council elections.
- 5.3 The Monitoring Officer has considered two complaints about Member conduct, one of which was a service complaint and so not pursued for investigation whilst the other is currently being considered. There is no pattern of vexatious complaints.

6. Ethical Governance in relation to staff and service areas

- 6.1 The public is entitled to expect the highest standards of conduct from all Westminster City Council employees.
- 6.2 The law, the Council's constitution, code of governance, terms and conditions of employment, policies and procedures all bear on the way council employees carry out their duties. The main provisions are summarised in the council's code of conduct for employees. The employee guide to the Code of Conduct details

source documents such as HR Policies where more comprehensive information can be found.

- 6.3 Breaches of the Code may result in action under the Council’s disciplinary code. The Code is published on the council’s intranet and forms part of corporate induction for all new starters

Human Resources

Details of Staff Disciplinary Cases and Whistleblowing issues

- 6.4 Details of staff disciplinary cases, grievance cases and whistleblowing issues throughout the authority, excluding schools, categorised by issue, are set out below. Details of all cases are monitored by People Services who review these and flag up any issues arising. The level of disciplinary cases are regarded as normal in an organisation the size of the City Council and has slightly decreased from the previous financial year.

An overall three-year trend:

	2014 - 2015		2015 - 2016		2016 - 2017		Trend
	Closed	Open	Closed	Open	Closed	Open	
Disciplinary	20	4	13	4	11	1	Decrease
Staff employed	2083		1861		1809		

- The council concluded 11 disciplinary cases in total in the 2016/2017 financial year (this excludes schools).
- There were 9 cases opened in 2016/2017 with only 1 case remaining open into the new financial year, this case was later closed.
- The outcome of those disciplinary matters closed in 2016/17 were:

<u>Outcome</u>	No Case to answer	Formal Written Warning	Final Written Warning	Dismissal	Other
<u>Closed Cases</u>	1	2	4	2	2

- There were 5 cases which would fall under the remit of ethical governance and these were in relation to 2 allegations of misusing the Council's Oyster card for personal gain, intent to withhold a substantial overpayment, failure to disclose pertinent information regarding the suitability of working within a regulated role and misuse of Council time resulting in failure to pay outstanding invoices.
- These cases were within CMC, PPC, Family Services, and Legal Services
- Given the small number of cases there is no evidence that there are systemic weaknesses or particular problems of unethical conduct in the Council or in any particular department.
- There was 1 whistleblowing matter raised via People Services which remained open into the new financial year. The complaint was an anonymous complaint regarding an alleged culture of bullying and harassment within a Family Services team. This was later concluded and not upheld.
- There were 10 individual grievance cases opened within the stated period, 11 cases closed and 3 remained open.

The outcome of those cases closed within 2016/2017 were;

Outcome	Not Upheld	Upheld	Partially Upheld	Dealt with Informally	Withdrawn
Closed Cases	6	1	1	2	1

- The general themes to the grievances do not highlight any concerns of unethical conduct. To summarise the grievances were in relation to complaints of bullying and harassment behaviour from line management; failure to consult during a re-organisation; a complaint over pay banding when compared to a male colleague; failure to provide a fair reference and failure to make reasonable adjustment for a colleague with a disability.
- The majority of grievance cases received once fully investigated were unfounded / not upheld.

Staff Declarations of Interest and Receipt of Gifts and Hospitality

- 6.5 The council requires all employees to disclose any interests which may conflict with their public duty by completing a Declarations of Interests Form. The form is accessible from the Council's intranet, The Wire. The council also requires all

employees in specified designated¹ posts to complete a Declarations of Interests Form on taking up the post and on any change in personal circumstances. Employees are further prompted to disclose whether they have any such interests when completing their annual performance appraisal form.

- 6.6 EMT members or their nominated officer will use the information on Declaration of Interests Forms to compile and maintain a register of pecuniary and personal interests for their area of responsibility. Each EMT member will review their register and consider whether any steps need to be taken to avoid conflict when relevant employees complete and resubmit forms. The register is not available for public inspection and there is no statutory requirement to make them available. However, subject to any exemptions which may apply, information contained within the register will be disclosed in accordance with the Freedom of Information Act 2001.
- 6.7 Every endeavour is made to keep the registers up to date but the onus is on employees to ensure that their registration details are accurate and up to date. Information will be maintained and held on the register during the employees' employment and for six years thereafter. In addition to completion of the declaration of interests form, employees must also declare any interests at meetings as appropriate. Failure to disclose such interests may lead to disciplinary action under the council's policies.

Staff Receipt of Gifts and Hospitality

- 6.8 The council also provides managers and employees with guidance as to when they can legitimately receive or give gifts and hospitality during the course of their duties. Without exception all gifts and hospitality given and received, whether accepted or declined, must be entered in the designated corporate register immediately after the offer is made. Given that the council is a public body it is essential that all such items are recorded in an easily accessible and efficient way. To this end, an online Gifts and Hospitality Register has been implemented and been used since 19 December 2006. The corporate Gifts and Hospitality register is maintained and reviewed by the designated monitoring officer on a regular basis. This is currently the Audit Manager.
- 7. Ethical Governance guidance and safeguards in relation to the Council's contractors and procurement**

¹ Designated Posts

- all posts at Band 5 or above level or their non-Reward equivalent
- any post referred to on a Directorate / Unit Scheme of Delegation for contract purposes; and
- any other post as determined by the EMT member or their nominated officer where the post holder has a significant involvement in contract matters or other work which requires a high level of transparent probity.

- 7.1 The Council's Procurement Code sets the mandatory rules on behalf of Westminster City Council which must be followed during the conduct of all procurement and contracting activity. The Code ensures that each area of strategic and commercial procurement is rigorously governed to ensure good procurement business practices, whilst minimising risks and adverse implications to the Council's reputation or non-compliance to legal requirements. The Code is underpinned by the fundamental principle that *"the highest standards of probity and ethical governance are maintained and adhered to at all times"*. In addition, section 2.8 (Codes of Conduct) of the Procurement Code makes specific reference to the Bribery Act 2010 and the Council's Code of Conduct.
- 7.2 The Code is reviewed periodically and since April 2014 it has been refreshed a number of times, as detailed below:
- Version 1.9 Issued 11 April 2014
 - Version 1.10 Issued 21 July 2014
 - Version 1.11 Issued 5 November 2014
 - Version 1.12 Issued 29 January 2015
 - Version 1.13 Issued 3 November 2015
 - Version 2.0 Issued 23 January 2017

Version 2.0 has since had some minor editorial amends, following consultation with the Cabinet Member for Finance and Corporate Services, with the latest version issued 20 September 2017.

- 7.3 There are links to the Code on the internal and external websites. Procurement Services have run a number of briefing sessions during quarter 3, with more planned for 2018. The aim of the briefing sessions has been to increase our engagement and visibility with officers, raise awareness and cover key elements of the Procurement Code, as well as providing an overview of the services we provide. Changes to the code are announced on the Wire and emails are sent directly to key Officers.

Procurement Assurance Board and Commissioning and Contracts Board

- 7.4 The City Council and Shared Borough Services have a formal review process which must be followed by all officers, and which demands a formal 'go/no go' decision to be taken at two key stages:

Gate 1: Examines the proposed sourcing strategy

Gate 2: Examines the proposed contract award

The members of the Procurement Assurance Board will provide a formal recommendation as to whether the proposed procurement strategy or contract award should proceed.

From the 1st January 2017, a new Procurement Assurance Model was implemented to simplify the process.

- 7.5 The Procurement Assurance Board is the forum which will advise, agree, recommend and act as a critical friend for procurement activity for:
- 7.5.1 Tri-Borough procurements consisting of The London Borough of Hammersmith and Fulham (H&F), The Royal Borough of Kensington and Chelsea (RBKC) and Westminster City Council (WCC) with a combined value (whole life) greater than £300,000; or where the contract associated with Westminster City Council is greater than £100,000.
 - 7.5.2 Bi-Borough procurements consisting of The Royal Borough of Kensington and Chelsea (RBKC) and Westminster City Council (WCC) with a combined value (whole life) greater than £200,000; or where the contract associated with Westminster City Council is greater than £100,000.
 - 7.5.3 Single Borough procurements consisting of City Council (WCC), City West Homes (CWH) and Westminster Adult Education Services (WAES) procurements, where the total contract value exceeds £100k.

At Westminster City Council and CityWest Homes, Peer Reviews are to be led by Officers for Operational spend (£10k to £100k). A Peer Review ensures that officers are not acting alone when making recommendations about contract awards, and it ensures that due process has been followed.

- 7.6 Adult Social Care and Children's Services procurements (including Tri-Borough, Bi-Borough and Single Borough) are overseen by the Commissioning and Contracts Board (CoCo) within each Services and therefore not in scope for the Procurement Assurance Board, however, ASC and Children's have adopted the Westminster (now Shared Services) Category Management Toolkit and as such the same rigour is expected to be applied.
- 7.7 All participants in a procurement exercise are expected to declare whether they have a personal interest in any proposed contract or in any company or other organisation bidding for a proposed contract by completing a 'Conflict of Interest and Confidentiality Declaration' form.

capitalEsourcing

- 7.8 Since January 2014 capitalEsourcing has been used to manage the majority of the Councils procurement and contract management activity. The use of a single system provides an important source of data and a complete audit trail of our activities. 'capitalEsourcing' contains a module on contract performance which

enables the Councils to apply standard high level performance measures for all contracts and more detailed relationship management data for strategic suppliers and key contracts. All tendering over £100K and a number of request for quotes are carried out online. Advertising, evaluations and contract awards are conducted using the system and contract awards are automatically moved into the contracts management module. This solution provides far greater visibility of our procurement activities, gives a robust audit trail, management information and enables a far more efficient process. Compliance checks are completed each quarter to ensure tenders are converted to contracts and a basic assessment of the contract performance is recorded.

Category Management

- 7.9 Category Management is a strategic approach which organises procurement resources to focus on specific areas of spends. This enables category managers to focus their time and conduct in depth market analysis to fully leverage their procurement decisions on behalf of the whole organisation.
- 7.10 Category Management has been adopted by Westminster City Council since 2012. The Category Management team supports all of Westminster City Council's expenditure. The Category Management Toolkit provides a commercially focused practical reference that guides procurement professionals (and all others involved in the procurement process) through a rigorous approach to effectively manage spend.
- 7.11 Category Management are responsible for ensuring that all purchases made by Officers of the Council are delivered to meet the requirements with a value for money approach and in accordance with the WCC Procurement Code and all relevant legislation.
- 7.12 Category Manager's within Westminster hold either part of full professional qualifications and are subject to regular training both internally and externally to ensure that they stay aware of any market or legislative developments.

Contracts Management

- 7.13 A Contract Management Framework is in place which guides contract managers to consider key points at the define, mobile and deliver stage of a contract. The key themes are:
 - 1 Specification
 - 2 Governance and Organisation
 - 3 Performance Management
 - 4 Commercial
 - 5 Risk Management
 - 6 Legal

It is recognised that further work is needed to improve Contract Management within the Council and a paper was approved by the Executive Management Team on 26th September which endorses a formal development programme and includes 18 different projects to address various aspects from roles and responsibilities, performance reporting to electronic signatures. A programme manager was appointed in December 2017 and the Programme will commence in January 2018.

Procurement Services team training

7.14 Fraud Awareness training is available in-house as an eLearning tool and is reissued as a refresher or for new starters on a regular basis, including earlier in 2017. The last training session held for the team included:

- How to identify procurement fraud
- What are the procurement fraud red flags
- How to identify possible corruption
- Reducing the threat of procurement fraud
- Examples of what procurement fraud looks like
- Ethics of procurement

8. Conclusion

8.1 This report provides the Committee with an overview of the arrangements in place across the Council to maintain high standards of ethical governance and highlights the work which has been undertaken in this respect during the 2016 - 2017 municipal year. As detailed in this report, action has been taken to ensure the Council is fully compliant with legislation relating to ethical governance and to ensure Officers' and Members' responsibilities in this context are communicated accordingly. Appropriate systems are in place to facilitate the reporting of ethical governance complaints and defined mechanisms and procedures exist to ensure any such complaints are dealt with in the correct way.

**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:

- Anti-Fraud, Bribery and Corruption Strategy
- Member's Code of Conduct

- Arrangements for Dealing with Complaints alleging a Breach of the Members' Code of Conduct
- Monitoring Officer Protocol
- Localism Act 2011



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	1 February 2018
Classification:	For General Release
Title:	Internal Audit 2017/18 – Progress Report (November to December 2017)
Wards Affected:	All
Financial Summary:	The Council's budget
Report of:	Steven Mair, City Treasurer (Section 151 Officer)
Report author:	Moira Mackie, Senior Manager; email: moira.mackie@rbkc.gov.uk Tel: 020 7854 5922

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 12 positive assurance reviews (substantial or satisfactory) being issued in the period, although two limited assurance audits have also been issued since the last report to the Committee.
- 1.2 The follow up reviews completed in the period for ten audits confirmed that the implementation of recommendations has been effective with the majority (84%) of recommendations fully implemented at the time of review.
- 1.3 Internal Audit's performance for the period was slightly below target for two indicators (percentage of audit plan completed and timely issue of the draft report) although it is anticipated that the annual targets will be met.
- 1.4 The Appendices to this report provide the following information:
 - **Appendix 1** Audit reports finalised in the year to date, showing the assurance opinion and RAG status;
 - **Appendix 2** - Additional information on the audited areas;
 - **Appendix 3** - Performance Indicators.

2. Recommendation

That the Committee consider and comment on the results of the internal audit work carried out during the period.

3. Background, including Policy Context

The Council's internal audit service is managed by the Tri-borough 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 reported to the Committee in June 2016. Reports on the outcomes of audit work are presented each month to the Council's Section 151 Officer. The Audit & Performance Committee are provided with updates at each meeting on all limited and no assurance audits issued in the period.

4. Internal Audit Opinion

- 4.1 As the provider of the internal audit service to Westminster City Council, the Tri-borough 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 and may not be proof against collusive fraud.
- 4.2 The results of the audit reviews undertaken in the reporting period concluded that generally systems operating throughout the Council are satisfactory, with 12 positive assurance (substantial or satisfactory) reviews being issued in the period.
- 4.3 Two limited assurance reports have been issued:
 - ASC – Accounts Receivable;
 - CHS – College Park Special School.

The details of these audits are contained in paragraph 5.1.1. to 5.1.2.

5. Audit Outcomes (November to December 2017)

- 5.1 Since the last report to Members fourteen audits have been completed, twelve of which did not identify any key areas of concern:

Audit	Assurance	RAG
Dorothy Gardner Nursery School	Satisfactory	Green
Mary Paterson Nursery School	Satisfactory	Green
St Joseph's Primary School	Substantial	Green
St Mary's Bryanston Square Primary School	Satisfactory	Green
St Mary of the Angel's Primary School	Satisfactory	Green
College Park Special School	Limited	Amber
ASC – Homecare	Satisfactory	Green
ASC – Accounts Receivable	Limited	Amber
CMC – Waste Disposal Contract Management	Satisfactory	Green
CMC – Parks & Open Spaces Contract Management	Satisfactory	Green
CMC – Parking Business Technology Contract	Satisfactory	Green
CS – IT Asset Management & Disposal	Satisfactory	Green
CS – Mobile Device Security	Satisfactory	Green
CS – HR – Occupational Health	Satisfactory	Green

Further information on these audits is contained in Appendix 2.

5.1.1 ASC – Tri-b - Accounts Receivable (Amber)

The London Borough of Hammersmith & Fulham (LBHF) and the Royal Borough of Kensington & Chelsea (RBKC) have historically managed Adult Social Care (ASC) income recovery within the department whereas at Westminster Council, this was previously managed corporately. Following the implementation of Managed Services, recovery of ASC income is now managed for all three Councils by in house staff within the ASC department.

Care packages and financial assessments are recorded on the case management system (Frameworkki) and the data transferred onto Agresso via a monthly interface. Monthly statements are then sent to clients advising them of the balance due. Reminder letters should be sent out after an agreed period if an invoice is not paid; however, this is not currently automated via Agresso.

The key concerns identified in this audit are summarised below:

- Manual invoices are raised if there are any specific adjustments for service prices or backdating of deferred payments. The justification for each manual invoice is documented on case management system (previously Frameworkki now upgraded to Mosaic) by the Income Collection Officer and this is then presented to the Head of Financial Assessment and Income Collection for review. A report of manual invoices raised could not be provided as Agresso

is unable to distinguish between manually and automated invoices. We were therefore unable to carry out testing to confirm if manual invoices had been approved in accordance with the Scheme of Delegation or whether they were included in statements subsequently sent to clients. The service is working with the System Lead for Managed Services to see if a system generated report can be provided but if this is not possible, ASC will seek an alternative mechanism to identify manually raised invoices.

- Refunds can occur when the service user has paid both the Care Home and the Council for the services they have received. The refunds are raised by a member of the Finance Assessment and Income Collection Team which workflow for approval on Agresso to the Cost Centre Manager. Although we obtained a report of refunds processed since April 2016, we were not provided with evidence of approval for the sample of refunds selected for testing. A total of 29 refunds valued at £30,920 had been issued in the 2016/17 financial year. The Council is liaising with BT to enable the Finance Assessment & Income Collection Team to review the workflow associated with refunds on Agresso. If this cannot be provided, an alternative solution for identifying the authorisation of refunds will be identified.
- Reminder letters should be sent to debtors where invoice payments are overdue. At the time of the audit, the reminder process known as “dunning” was not automated due to issues with Agresso. Reminder letters are therefore sent manually by the Financial Assessment and Income Collection Team on an ad-hoc basis. Testing of 10 debt items identified seven instances (totalling £ 29,495.02) where follow up action was required. In three of these cases, a reminder letter had been sent; however, in only one of these cases had the letter been sent within the last 12 months. In the remaining four cases, no debt recovery action was evidenced within the last 12 months. The absence of an automated dunning system has been raised with BT over the past two years and it is hoped that it will be available by mid-February 2018, however there are a number of action points of preparation work for both BT and the service before this can be implemented. Until automated dunning is available, the service has maintained a system of locally generated letters being sent to residents regularly (bi-monthly).

Three high, four medium and one low priority recommendations have been made which were due to be implemented, where possible, by the end of December 2017. A follow up review will be undertaken to ensure that appropriate actions have been taken to address the recommendations made.

Following member approval in December 2017 of the proposal to join the Hampshire partnership, which will provide a solution on the SAP platform to replace the BT Agresso system, Internal Audit has been actively involved in the officer Steering Group leading up to the Member decision. The Director for Audit, Fraud, Risk and Insurance will also provide ongoing challenge and support to the officer board which has been established to implement the new solution. Internal

Audit is also planning to carry out a number of reviews throughout the implementation process, with resources allocated to this work as well as the ongoing review of existing financial systems prior to the migration.

5.1.2 **College Park Special School (Amber)**

This School was audited against the Standard Audit Programme for Schools and a number of weaknesses were identified including the following:

- The School has a Scheme of Delegation in place governing approval limits. However, this does not state which individual or body is responsible for approving purchases between £15,000 and £25,000;
- Through examination of the School's register of pecuniary interests, we confirmed that all governors and staff with financial influence had signed a declaration of pecuniary interest form; however, many of these had not been completed within the last 12 months;
- A School Improvement Plan was in place for the 2016-17 academic year, although it did not identify resource requirements and is therefore not clearly linked to the budget;
- Purchase orders were not always raised for relevant purchases and there was no evidence of a goods received check on invoices reviewed;
- The School's Financial Policy states that three quotes are required for purchases over £5,000 in value. Testing of two purchases exceeding £5,000 identified that in both cases no quotes were obtained;
- The School could not provide evidence that the employment status of two self-employed individuals paid by the School had been independently verified via the HMRC employment status tool (or equivalent);
- Testing of five staff expense claims identified one case where the claimant did not submit the claim form within a month of incurring the expense. In a further three cases, the claimant authorised their own expense claim;
- The School was unable to provide evidence that income reconciliations are carried out between income collection records and income banked. It was also not possible to trace income received through to banking due to an inadequate audit trail being maintained;
- Testing of five overtime claims identified one case where a claim form had not been completed;
- The School has a pay policy setting out the arrangements for determining staff pay, including leadership staff; however, this was not clear in regards to the Executive Head's Pay Range;
- Two of the five assets selected from the Asset Register could not be located at the School. In addition, one of five assets selected from around the School could not be successfully traced back to the Asset Register as the serial number had been allocated to an asset with a different description;

- Copies of the School's two lease agreements was obtained; however, it could not be confirmed that advice from the Local Authority had been sought before entering the lease agreements.

One high, seven medium and four low priority recommendations have been made and the implementation of these recommendations will be followed up with the school.

5.2 Implementation of Audit Recommendations

Ten follow-up reviews were undertaken in the period (November to December 2017) which confirmed that 84% of recommendations made had been implemented with good progress made to implement the remaining recommendations:

Audit	No of Recs Made			No of Recs Implemented			No of Recs In Progress			No of Recs not yet actioned		
CHS - Direct Payments	13			10			3			0		
CHS – Burdett Coutts & Townshend Primary School	10			10			0			0		
CHS – St Vincent’s Primary School	5			5			0			0		
GPH – Property Database (Techforge)	6			5			1			0		
GPH – Gas Servicing	3			3			0			0		
CMC – Parking - RingGo	3			3			0			0		
CMC – Food Safety	4			2			2			0		
CMC – Commercial & Domestic Waste Enforcement	6			4			2			0		
CS – IT – Business Continuity & Disaster Recovery	6			5			1			0		
PPC – Cross River Partnership (0,0,2)	2			2			0			0		
Total	58			49			9			0		
Priority of recommendations	H	M	L	H	M	L	H	M	L	H	M	L
	9	33	16	7	27	15	2	6	1	0	0	0

Follow up 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.

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

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Or

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BACKGROUND PAPERS

Internal Audit Reports;

Monthly monitoring reports.

Audits Completed Year to Date

Audits Completed Year to Date - 2017/18

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Children's Services	Departmental Governance (Cfwd from 2015/16)	Green	SUBSTANTIAL	0	1	0	Sep-17
Children's Services	Contract Management – Passenger Transport Contract	Green	SATISFACTORY	0	5	8	Sep-17
Children's Services	St Vincent's Primary School (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	3	Sep-17
Children's Services	St Clement Danes Primary School	Green	SUBSTANTIAL	0	2	2	Nov-17
Children's Services	Robinsfield Primary School	Green	SATISFACTORY	0	2	7	Nov-17
Children's Services	Westminster Cathedral Primary School	Green	SATISFACTORY	0	4	4	Nov-17
Children's Services	Portman Early Childhood Centre	Green	SATISFACTORY	0	2	10	Nov-17
Children's Services	St Matthew's Primary School	Green	SUBSTANTIAL	0	1	5	Nov-17
Children's Services	QE II Special School	Green	SATISFACTORY	0	6	4	Nov-17
Children's Services	Tachbrook Nursery School	Green	SATISFACTORY	0	3	1	Nov-17
Children's Services	Dorothy Gardner Nursery School	Green	SATISFACTORY	0	5	10	Feb-18
Children's Services	Mary Paterson Nursery School	Green	SATISFACTORY	0	3	9	Feb-18
Children's Services	St Joseph's Primary School	Green	SUBSTANTIAL	0	2	5	Feb-18
Children's Services	St Mary's Bryanston Square Primary School	Green	SATISFACTORY	0	4	5	Feb-18

Audits Completed Year to Date - 2017/18

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Children's Services	St Mary of the Angels Primary School	Green	SATISFACTORY	0	4	4	Feb-18
Children's Services	College Park Special School	Amber	LIMITED	1	7	4	Feb-18
Growth, Planning & Housing	TMO Odham's Walk (Cfwd from 2016/17)	Amber	LIMITED	2	10	7	Sep-17
Growth, Planning & Housing	Energy Performance of Buildings Directive (Cfwd from 2016/17)	Green	SUBSTANTIAL/ SATISFACTORY	2	2	1	Sep-17
Growth, Planning & Housing	Lessee Charges (Cfwd from 2016/17)	Green	SATISFACTORY	0	3	1	Sep-17
Growth, Planning & Housing	Gas Servicing (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	1	Sep-17
Growth, Planning & Housing	Total Facilities Management (TFM) Contract Management (Cfwd from 2016/17)	Green	SATISFACTORY	2	3	3	Nov-17
Growth, Planning & Housing	Millbank Estate Management Office (MEMO) (Cfwd from 2016/17)	Amber	LIMITED	10	8	5	Nov-17
Growth, Planning & Housing	CityWest Homes – Acquisition & Disposal of HRA Properties	Green	SATISFACTORY	0	3	2	Nov-17
Adult Social Care	Commissioning Governance (Cfwd from 2016/17)	Green	SUBSTANTIAL	0	0	0	Sep-17
Adult Social Care	Commissioning & Contracts – SHSOP (Cfwd from 2016/17)	Green	SUBSTANTIAL	0	0	0	Sep-17
Adult Social Care	Commissioning & Contracts – Disability Connect (Cfwd from 2016/17)	Green	SATISFACTORY	1	1	0	Sep-17
Adult Social Care	Customer Journey (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	1	Sep-17
Adult Social Care	Contract Management – Mental Health Day Services (Cfwd from 2016/17)	Green	SATISFACTORY	1	2	1	Sep-17

Audits Completed Year to Date - 2017/18

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Adult Social Care	Contract Management – Carers Hub (Cfwd from 2016/17)	Amber	LIMITED	1	4	0	Sep-17
Adult Social Care	Health & Wellbeing Strategy (Cfwd from 2016/17)	Green	SUBSTANTIAL	0	0	2	Sep-17
Adult Social Care	Contract Management – Dementia Outreach (Cfwd from 2016/17)	Amber	LIMITED	2	4	1	Nov-17
Adult Social Care	Homecare (Cfwd from 2016/17)	Green	SATISFACTORY	0	6	1	Feb-18
Adult Social Care	Accounts Receivable (Cfwd from 2016/17)	Amber	LIMITED	3	4	1	Feb-18
Public Health	Contract Management – GP & Pharmacy Services (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	0	Sep-17
Public Health	Supplier Resilience (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	2	Nov-17
Public Health	Contract Management – Obesity (Cfwd from 2016/17)	Green	SATISFACTORY	0	6	1	Nov-17
Public Health	Commissioning Governance (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	1	Nov-17
City Management & Communities	Food Safety (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	2	Sep-17
City Management & Communities	Registrar's Service (Cfwd from 2016/17)	Green	SATISFACTORY	0	3	4	Sep-17
City Management & Communities	Street Trading (Cfwd from 2016/17)	Green	SATISFACTORY	2	5	2	Sep-17
City Management & Communities	Commercial & Domestic Waste Enforcement (Cfwd from 2016/17)	Green	SATISFACTORY	0	5	1	Sep-17
City Management & Communities	Procurement Compliance – Youth Offending Service (Cfwd from 2016/17)	Green	SUBSTANTIAL	0	0	0	Sep-17

Audits Completed Year to Date - 2017/18

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
City Management & Communities	Libraries – Risk Management	Green	SATISFACTORY	0	2	0	Sep-17
City Management & Communities	Parking Permits	Green	SATISFACTORY	0	3	0	Nov-17
City Management & Communities	Sayers Croft – Outdoor Learning Centre	Green	SATISFACTORY	0	3	1	Nov-17
City Management & Communities	Waste Disposal Contract Management	Green	SATISFACTORY	0	2	0	Feb-18
City Management & Communities	Parks & Opens Spaces Contract Management	Green	SATISFACTORY	0	3	1	Feb-18
City Management & Communities	Parking – Business Technology Contract Management	Green	SATISFACTORY	0	3	0	Feb-18
Corporate Services	Partnership Governance (Cross River) (Cfwd from 2016/17)	Green	SUBSTANTIAL	0	0	2	Sep-17
Corporate Services	HR - Pensions Administration (Cfwd from 2016/17)	Amber	LIMITED	2	0	1	Sep-17
Corporate Services	HR – Payroll (Cfwd from 2016/17)	Amber	LIMITED	9	1	0	Sep-17
Corporate Services	IT – Risk Management (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	0	Sep-17
Corporate Services	HR – Your Voice Survey (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	0	Sep-17
Corporate Services	Managed Services – Data & Information Security	Green	SATISFACTORY	1	2	1	Nov-17
Corporate Services	IT – Asset Management & Disposal (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	2	Feb-18
Corporate Services	IT – Mobile Device Security (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	0	Feb-18

Audits Completed Year to Date - 2017/18

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Corporate Services	HR – Occupational Health	Green	SATISFACTORY	0	2	5	Feb-18
City Treasurer	Accounts Payable (Cfwd from 2016/17)	Green	SATISFACTORY	0	5	2	Sep-17
City Treasurer	Accounts Receivable (Cfwd from 2016/17)	Green	SATISFACTORY	0	3	1	Sep-17
City Treasurer	Procurement Cards	Green	SATISFACTORY	0	4	1	Nov-17

Additional Information on Audits (Main report – Paragraph 5.1)

Children’s Services:

1. Schools

Audits of the Council’s schools are carried out using an established probity audit programme, usually on a three-year cycle unless issues dictate a more frequent review. The programme is designed to audit the main areas of governance and financial control. The programme’s standards are based on legislation, the Scheme for Financing Schools and accepted best practice. The purpose of the audit is to help schools establish and maintain robust financial systems.

In the reporting period, six final reports have been issued in respect of school audits:

- Dorothy Gardner Nursery School (satisfactory assurance);
- Mary Paterson Nursery School (satisfactory assurance);
- St Joseph’s Primary School (**substantial assurance**);
- St Mary’s Bryanston Square Primary School (satisfactory assurance);
- St Mary of the Angels Primary School (satisfactory assurance);
- College Park Special School (**limited assurance**).

No significant issues were identified at five of the schools and the recommendations made will be followed up later in the year. The findings from College Park Special School are contained in paragraph 5.1.2 of the main report, above.

Adult Services:

2. Tri-b – Homecare (satisfactory assurance)

Home Care is a key service to enable people who need care and support to remain living as independently as possible in their own homes. It is provided across Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea, and Westminster City Council through seven contracted service providers allocated across nine geographical patches that cover the three boroughs and a number of spot providers commissioned under contract by the Adult Services Commissioning Teams. Spot providers are used where a service user (client) has requested to remain with their current provider and opted for Direct Payments or where there has not been capacity within the contracted care provider’s workforce to deliver the care service. There are approximately 78 spot providers in use across the three councils. Commissioned providers are required to deliver up to 3,000 hours of care per week for each of the nine geographical patches. Clients in the Royal Borough of Kensington and Chelsea and Westminster City Council are required to contribute to the cost of this care through a means tested assessment. No financial contribution is required from service users/clients in Hammersmith and Fulham.

The Commissioning Insight and Innovation Team (CIIT) are responsible for the provider contracts and undertaking appropriate monitoring and supervisory checks on performance. Additionally, a range of Key Performance Indicators are used to monitor performance and regular meetings are held with providers to discuss performance and safeguarding issues. They also work closely, amongst others, with the Home Care Management Team (HCMT) and Safeguarding Team where there are performance and compliance issues. Furthermore, all the registered care providers are subject to regular inspections by the Care Quality Commission. The Home Care Management Team (HCMT) are responsible for the administration of all ongoing care requests and referrals based on the assessments undertaken by social workers and healthcare professionals and the Care Plans that are set out within the care management system (Frameworki now Mosaic). A web based system is used to allocate care plan hours to the appropriate provider and is also used to monitor the hours of care actually delivered.

The audit identified the following areas for improvement:

- Following the most recent Care Quality Inspections, four of the seven commissioned providers used by the councils were assessed as “Requires Improvement” whilst only two were assessed as “Good”;
- Of the 14 spot providers used, six were assessed as “Requires Improvement” whilst eight were assessed as “Good”. This shows that a significant number of the providers used will require closer monitoring of performance to ensure that they do not fall below expected quality standards;
- For WCC in 2016/17, £7.56m was spent on commissioned providers compared to £6.15m with spot providers. The high level of reliance placed on spot providers to deliver care services undermines the corporate approach whereby commissioned providers are in place to deliver the bulk of care hours. However, it is acknowledged that a high proportion of the spot providers used are where the client is on a direct payment scheme arrangement;
- Spot providers are not subject to robust checks to verify commissioned hours are actually delivered since they are not required to electronically log site visits. As such there is risk that the council may be paying for services it does not receive in full from spot providers;
- Whilst arrangements exist within the CIIT to undertake quality monitoring checks on home care visits to evaluate the level and quality of care provided to clients, Audit were not provided with any evidence to independently verify that these monitoring checks have been undertaken;
- An over reliance is placed on provider self-assessments and a reactive response to quality management through complaints and safeguarding incidents instead of a proactive approach being adopted to independently assess and evaluate the level of care provided to clients;
- Audit were informed that CIIT undertake checks to verify care workers have background checks undertaken on them and have up to date Disclosure and Barring Service (DBS) certification as part of the Home Care Audit Visits. However, Audit were unable to independently verify these checks due to the absence of supporting evidence. Reliance is placed on the care provider to undertake DBS checks since they hold liability for safeguarding issues as per the contract. However, from an audit perspective, the council still retains ownership of any safeguarding and reputational risk in event of a serious incident occurring;
- The contract with home care providers does not specify any limit (%) for the number of care hours that can be retrospectively input to the system manually. Previous service contracts required manual entries not to exceed 15% of the total number of care hours delivered for the relevant period. This control was to deter the frequent submission of manual entries which may indicate commissioned hours have not been delivered in full;
- Expenditure on commissioned and spot providers is allocated against the same cost centre making it difficult to differentiate between the two different types of care expenditure.

Six medium and one low priority recommendations have been made which have been accepted by management.

City Management & Communities:

3. Waste Disposal Contract Management (satisfactory assurance)

Waste Disposal at Westminster Council is split into three separate contracts, all of which have been awarded to Veolia ES (UK) Limited:

- General Waste Incineration;
- Food Waste Disposal;
- Dry Recyclables Reprocessing and Marketing.

The Waste Disposal Contracts commenced on the 16 September 2016 with an end date of 31 March 2024. The annual value of the contracts depends on how much waste is treated via the contract concerned. The Services provided by the contractor include the acceptance of contract waste and subsequent treatment and disposal of the contract waste including any recycling, composting, processing, treatment and disposal of any residues therefrom.

The systems in place for managing these contracts was considered to be satisfactory with two medium priority recommendations made to address weaknesses identified in the following areas:

- Workplace risk assessments were completed by Veolia at the tender stage. These should be reviewed on a periodic basis but have not been reviewed since 2015;
- Insurance documentation was available for employer's public and professional indemnity insurance however the minimum cover for employer's liability was not in line with the Contract Specifications.

The recommendations have been accepted and are being addressed by Management.

4. Parks & Open Spaces Contract Management (satisfactory assurance)

The Parks and Open Spaces Contract was awarded to Continental Landscapes Ltd for six years, commencing on the 1 April 2017 with an option to renew for up to six years. The contract has an annual value of £2.059m. Continental Landscapes Ltd has been working with the Council since April 2000 when they originally won the grounds maintenance contract for the north of the City with a 5-year contract. The contract covers the management of 52 parks, gardens and open spaces, 3 cemeteries (located outside Westminster) and 32 other 'green spaces'; predominantly highways planting schemes. In addition to managing all sites to a high standard of horticulture and cleanliness, the contract has also sought to maximise the contribution of open spaces to public health and social inclusion objectives through, for example, more volunteering, apprenticeships and work experience / local employment opportunities.

The arrangements in place to manage this contract were generally considered to be effective with three medium and one low priority recommendations made to address the following weaknesses:

- At the time of the audit, the contract had not been signed by both parties. Once the contract has been signed, access to it will be provided to all staff who need to be aware of the contractual arrangements;
- There are currently no KPIs in place for the contract however Continental are required to complete performance returns on a monthly basis. For a sample of the last three months we were able to confirm that these were submitted and reviewed by the Council as part of monthly monitoring meetings;
- Although there was evidence that ad hoc checks are undertaken, the audit could not confirm that periodic operational and health and safety risk assessments had been completed by Continental and sent to the Council for review.

All of the recommendations are expected to have been implemented during the first quarter of 2018/19.

5. Parking – Business Technology Contract (satisfactory assurance)

The Business Processes and Technology Services (BP&T) contract was awarded to NSL for four years commencing in November 2014 with an option to renew for up to two years. The contract has an annual value of £5.146m. The BP&T contract delivers a service to provide and maintain the requisite technology architecture (hardware, software, integration and interface components), as well as the end to end operating processes with the necessary skilled resources to deliver the following minimum requirements:

- An integrated technology that manages access to the kerbside incorporating deployment and compliance;
- Provision of and access to real-time information via Apps and other solutions;
- Penalty Charge Notice (PCN) and Fixed Penalty Notice (FPN) processing;
- To assist customers and the provision of a processing solution to create and manage customer records and action requests;
- A range of channels for customers to access services and self-serve, buy services and interact with the Service;
- The ability to purchase a parking session and pay for a PCN, FPN and any other associated service;
- End to end account management and bulk record processing;
- Delivery and management of a solution that issues and controls a range of permits, including suspensions and dispensations;
- Payment processing and exception management, including refunds, DVLA mismatches etc.

The system was considered to be operating effectively with three medium priority recommendations made to address the following weaknesses:

- A log of changes and variations is maintained although for two instances reviewed, not all of the variation documentation was available. These Change Requests (CRs) arose during the transition period of the new service and the CR process wasn't fully implemented at this time. The service is satisfied that the CR process is now adequately controlled and followed;
- Although NSL had contracted an organisation to undertake penetration testing at their processing centre, this did not include a complete business risk assessment which is required at least once every six months under the contract. The service has undertaken to ensure that NSL complete regular risk assessments (at least every 6 months) on business practices which will be reviewed by the service for completeness and adequacy.
- We were able to confirm that insurance documentation was available for employers, public, professional indemnity and motor insurance. However, the value of Employers liability insurance was not in line with the value specified in the contract and this is being addressed by the service with the contractor.

Corporate Services

6. IT Asset Management & Disposal (satisfactory assurance)

IT Asset Management helps the Council manage their systems more effectively and saves time and money by avoiding unnecessary asset purchases and promoting the use of existing resources. The Council has a sole supplier for a range of ICT products and services via a BT framework. The Council has not developed local policies and procedures for IT asset management, since the service provider follows their own internal procedures and are responsible for maintaining the assets. The contract outlines the outcomes and requirements that are expected including provisioning and asset management, which meet the Council's standards and also covers the disposal of obsolete equipment in a secure manner. A rolling programme of benchmarking is undertaken in respect of all the available services in order to satisfy the Council that the service is providing best value for money.

All IT equipment purchases go through the Council's purchase ordering system with appropriate authorisation required before the request is submitted to BT. Within Agresso approval for purchasing IT products is limited to a small number of individuals to help prevent unauthorised spend on IT assets. In addition, an open order is also in place for any peripheral devices or components that may be required by BT when they perform IT hardware repairs; invoices for these goods received on Agresso by the Service Manager and BT provides details of these charges on invoices presented in monthly reports to the Council. For larger procurement decisions, Chief Information Officer input and approval is needed as part of the standard process for submitting formal Cabinet Member and Procurement Gate Panel reports.

BT has the responsibility for the stock management of the Council's IT assets with levels kept to a minimum, and purchases made as and when required. BT report monthly to the Council on the number of IT assets that have been allocated and those in stock. The level of stock maintained is based on the demand from the users and the Council have an opportunity to query stock levels maintained. Checks to confirm the accuracy of the asset register and rectify any discrepancies are conducted by BT through network polling with the server. This involves identifying assets that are not active from the server and highlighting them to the IT team for investigation. A member of the IT support team is currently investigating the list of assets which appear not to have been connected for some time to locate the assets. The team are also currently strengthening the leavers process to ensure that IT assets are more clearly assigned to a responsible individual.

The systems were considered to be effective with one medium and two low priority recommendations made in the following areas:

- The current IT strategy was developed for the shared IT service for RBKC and WCC, with an aim to provide the two Councils with best value core IT services and to deliver digital transformation across the whole range of their services. This strategy however, does not cover aspects of IT hardware procurement and it has been recommended that an IT Asset Management Strategy is developed and agreed to provide direction on how to address any gaps on the current and target state of the Council's IT asset infrastructure;

- For completeness, the BT asset register should be updated to identify that those assets purchased prior to the BT contract starting in 2013 are out of warranty;
- The company that was used for the disposal of IT equipment as part of the City Hall Decant project provided all of the necessary destruction certificates to confirm that the items had been destroyed in accordance with UK and EU legislation although there had not been any recent site inspection of the destruction premises (or additional assurance) that the equipment had been disposed of appropriately. The Council is reviewing the BT processes and procedures with a view to using them as their preferred partner for the on-going disposal of IT equipment. Following a risk assessment and if appropriate a site visit will be undertaken of any potential partner's premises.

7. Mobile Device Security (satisfactory assurance)

The use of Mobile Devices has positively impacted on the way the Council can provide and record services to residents. The Council can record and access information on a real time basis and record data from mobile officers, for example, parking and gas safety operatives. In addition, mobile and portable devices such as laptops, tablet computers and smartphones can be used as a management tool by officers for access to email, calendar and web services. The shared ICT service has adopted a clearly defined and documented Information Security Policy, which harmonised the best practices across all of the Councils and is fully aligned with the International Organization for Standardization (ISO) requirements for Information Security (ISO:27001)

The Council has adopted the AirWatch Mobile Device Management (MDM) system to securely manage their mobile device assets. This solution allows the remote wiping of data in case of device loss and it also secures a wide variety of tablets and smartphones. The MDM system provides monitoring graphs and reports to help system administrators to monitor compliance to the mobile device policy and control framework. However, these reports are not currently provided to the Information Security Team Managers for trend analysis and the reconciliation of wipe activity records against lost asset records. One medium priority recommendation has been made to address this.

8. HR – Occupational Health (satisfactory assurance)

The Occupational Health (OH) team at the Council are based within the “People Services” department. Although they are a stand-alone team, they work closely with the Health & Safety team, who operate within the City Management and Communities Department. Meetings are held between Occupational Health, People Services and Health and Safety which provides an opportunity to clarify roles and responsibilities and work collaboratively. The team aims to provide a proactive service, concentrating on the prevention of illness through a Wellbeing Strategy, rather than simply checking why people were off sick and contribute to the Council's Corporate Health & Safety Objectives.

Occupational Health works in collaboration with all staff and managers to manage and reduce absence and enable a supportive return to work and a number of initiatives are on-going as part of the Council's Wellbeing Strategy including:

- developing a calendar of initiatives focussing on the four main themes of mind, diet, body and health to target the main reasons for sickness absence working in collaboration with colleagues in the Shared Service Wellbeing group;
- supporting the Time to Change Employer Pledge, aimed at reducing mental health stigma in the workplace;
- launching a Wellbeing Hub, designed as an accessible one stop shop for providing support and advice to managers and staff on all aspects of Wellbeing. The HUB also signposts staff to the council's free and confidential Employment Assistance Programme (EAP). The page is constantly updated to reflect current campaigns and specialist support for staff during major incidents.

The systems in place to support the objectives of the Occupational Health service were considered to be generally sound with two medium and five low priority recommendations made to address the following:

- The budget for the Occupational Health Doctors needs to be reviewed as it does not accurately reflect the expected annual expenditure;

- In conjunction with People Services, an appropriate mechanism for reporting non-compliance with the Sickness Policy should be developed;
- The “OH Management Referral Guide” needs to be updated to clarify that whilst external clients will be charged if they do not attend an appointment with the OH doctor, charges will not be incurred by internal clients;
- An evaluation should be undertaken on the effectiveness of the promotion of the Occupational Health Service, in particular the take up of services offered under various initiatives;
- In order to establish the level of satisfaction received by both management and employees, feedback forms should be re-introduced and data collected used to demonstrate consistency of the service and identify areas where improvement or further development could be considered.

Performance Indicators 2017/18

Internal audit performance is summarised below against a range of performance indicators:

Performance Indicators	Target	Actual	Comments
Delivery			
Percentage of audit plan completed YTD (Month 9) Full year target = 90%	71%	60%	Below target - delays in final aspects of the fieldwork which is being addressed.
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	85%	Below target – focus on improvement in this area.
Percentage of audits finalised within 10 days of a satisfactory response	95%	100%	
Percentage of jobs with positive feedback from client satisfaction surveys	90%	100%	23 received average score 4.3 (where 5 is the top score)
Percentage of recommendations implemented or in progress	95%	100%	YTD 112 out of 112 recommendations.

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City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	1 February 2018
Classification:	For General Release
Title:	Internal Audit Plan 2018/19
Wards Affected:	All
Financial Summary:	The Council's budget
Report of:	Steven Mair, City Treasurer (Section 151 Officer)
Report author:	Moira Mackie, Senior Manager; email: moira.mackie@rbkc.gov.uk Tel: 020 7854 5922

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 includes 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 2018/19 is contained in Appendix 1 to this report.

2. Recommendation

That the Committee review the internal audit plan for 2018/19 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 is provided by the Tri-borough Internal Audit Service which is managed by the Royal Borough of Kensington & Chelsea (RBKC). Internal Audit is required to provide the S151 Officer, the Executive Management 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 work carried out by the Council's Internal Audit Service in the financial year 2016/17 found that, in the areas audited, internal control systems were generally effective with good progress made to improve controls in the areas where weaknesses were identified.

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.

- 3.1 The draft Internal Audit Plan for 2018/19 is attached as Appendix 1 to this report. It should be noted that this Plan is an early draft and will be subject to some amendment before the final Plan is published in March 2018. 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.

- 3.2 The Internal Audit Plan, once finalised, will include sufficient audit coverage to enable an 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.
- 3.3 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:

Moira Mackie on 020 7854 5922 Email: moira.mackie@rbkc.gov.uk

BACKGROUND PAPERS

Internal Audit Planning Files

Business Plans and Strategic Risk Registers

Westminster City Council
Audit & Performance Committee
1 February 2018
Draft Internal Audit Plan
2018/19



City of Westminster

**Audit & Performance Committee – 1 February 2017
Draft Internal Audit Plan 2018/19**

1. Introduction

- 1.1 The Internal Audit Plan has been prepared following discussions with Senior Managers at the Council and includes reference to the Council's Objectives or key risks where these are relevant. Balancing audit resources across the Council's activities takes into account the Council's objectives, change, priorities and risk with cyclical reviews planned in operational areas across a three-year period, where possible. Areas of high risk have been identified and included in the plan as well as cyclical & thematic reviews in areas of lower financial risk (e.g. schools).
- 1.2 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.
- 1.3 The implementation of a revised Managed Service for the provision of payroll, HR and finance services during 2018/19 is a significant change for the Council and the Audit Plan includes time to provide support and assurance, before, during and after the change in service provision.
- The establishment of bi-borough Departments to provide Adult's, Children's and Public Health services is expected to be complete by the end of March 2018, although it is noted that some services will remain as tri-borough past this date. To maximise the use of audit resources and to enable best practice and benchmarking to be undertaken, planned audits in these areas will continue to be provided for the three Councils wherever possible, although separate audit reports will be provided, where appropriate. Some audits will cut across the three service areas (ASC / PH / CHS) and where this is known, this has been identified in the plan.

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 2018/19 financial year (with 2017/18 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. The table includes an estimate of the days chargeable to the Council for these audits although it should be noted that the planned audit days in the shared service areas have not yet been finally agreed and the table below will be updated once consultation across the councils has been completed.

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Audit Coverage	Westminster Council Estimated Planned Audit Days	
	2018/19	2017/18
Adult Social Care & Public Health*	130	130
Children's Services*	130	160
Corporate Services*	445	450
City Treasurer*	180	130
Policy, Performance and Communications	45	55
Growth, Planning Housing	150	140
City Management & Communities*	150	150
Contingency/ Management	195	210
Audit Days	1,425	1,425

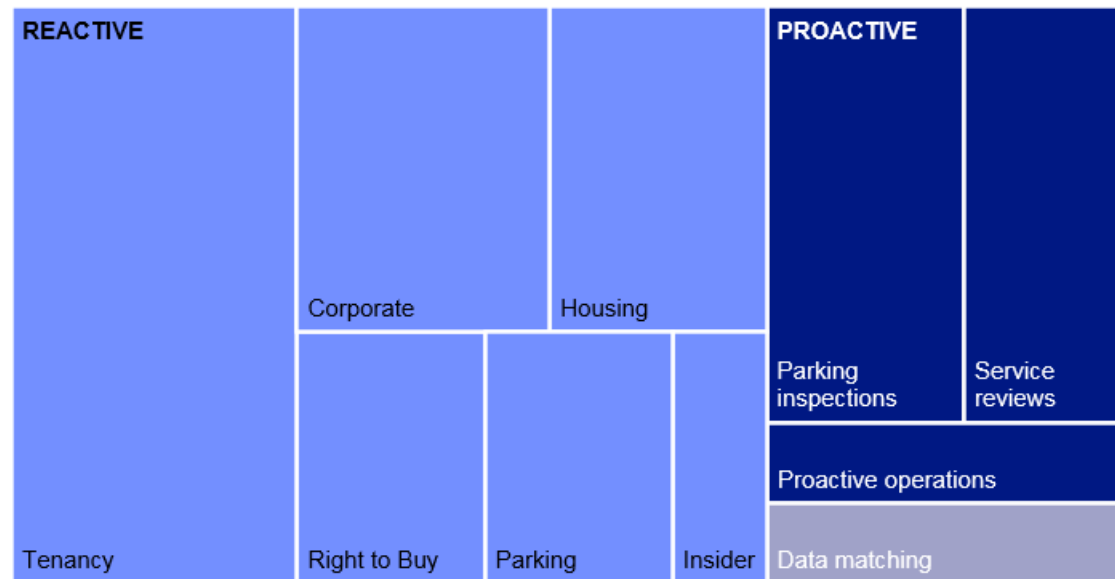
*These areas include Shared Services audits. The days for shared service audits are apportioned across the councils.

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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 2018/19 by CAFS in the following areas:

Fraud investigation activity 2018/19



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- 3.2 The table below shows the different areas of CAFS activity planned during 2018/19 together with an **estimate** of the resources planned against each activity:

Anticipated reactive referrals (days)	
Tenancy fraud	280
Right to Buy	80
Housing fraud	120
Insider fraud	40
Corporate investigations	140
Parking	80
Proactive activity (days)	
Service reviews (fraudits)	120
Proactive operations	50
Parking inspections	150
Data analytics (days)	
Data matching	50
Total days allocated	1,110

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The Audit Plan for each of the Council's Departments is shown below, with the audits shown under the risks identified in the Council's Risk Register, where appropriate. Where cyclical and thematic reviews are planned, these are identified and where audits may cover the activities of more than one Department, this is also shown:

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

Risk:	Complexity of Change programmes in Adult Social Care and the NHS	
Risk:	Complexity of geographical boundaries for developing integrated services could lead to inconsistent multi-disciplinary team service designs in local CCG	
Audit:	Proposed Scope:	
1. Partnership working with Health & CCGs	Deferred from the 2017/18 plan. PH funding to LAs includes a requirement to give a defined core offer back to CCGs. A draft Memorandum of Understanding (MOU) was developed but not yet approved. To consider Governance; Development of Core Offer; Resource Planning and Management; Outcome Monitoring.	
2. Community Independence Service	The tri-borough contribution is £5million of a total cost of £18 million. These are managed under S75 contracts which are now due for renewal. The arrangements will be reviewed in 2018/19, any audit would need to coordinate with the review.	
3. Mental Health	Could include S117s although these considered less of an issue now that changes agreed re legal interpretation for charges & refunds. Audit to include a review of: Strategy; Policies and Procedures; Services Provided; Assessment and Eligibility Criteria; Charges and Charging Policy; Resource Management; and Management Information. Would be useful to look at Trust staff time split between social work and health work. Scope would need to be clarified and specific on coverage prior to audit.	

Risk:	Termination of tri-borough arrangements with LBHF	
Risk:	Limited competition in the marketplace may adversely affect procurement outcomes	
Audit:	Proposed Scope:	
4. Procurement & Management of the Contract for providing Community Equipment	Large framework contract available to other London Boroughs. Initial stages of procurement reviewed in 2016/17. To consider the full procurement exercise to verify compliance with expected controls and consider the arrangements in place for ensuring that the contract is managed effectively.	
5. Commissioning: Procurement & Market Management	This service is being unified into a single commissioning division. Expected to initially have teams for each of the three services. New ASC contracts include: LD Accommodation & Support; MH Accommodation; MH Day Centres; Extra Care Housing; OP & Dementia. To consider review of procurement governance; procurement strategy and plans; business transition reviews and action plus resource plans; selection of contracts to test; (market management).	
6. Commissioning: Contract Management of a sample of contracts	Contract formalities: This service is being unified into a single commissioning division. Expected to initially have teams for each of the three services (ASC/ PH/ CHS). Possible high level review of the new organisation followed by testing a sample of contracts. Consider whether to focus on specific parts of contract management or specific contracts	

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Risk:	Termination of tri-borough arrangements with LBHF	
Risk:	Limited competition in the marketplace may adversely affect procurement outcomes	
Audit:	Proposed Scope:	
7. Health Intelligence and Joint Strategic Needs Assessment	Deferred from the 2017/18 plan. The intelligence team lead on these areas. The audit coverage should consider the evaluation of services and focus on delivery.	

Cyclical Reviews:		
8. Day Centres (Droop Street & Lisson Grove)	Single audit of all day centres which include: for WCC the LD day services are Droop Street, and Lisson Grove. To consider: Policies, Procedures, Legislation; Referrals and Assessments; Risk Assessments; Staffing; Procurement; Income and Client Monies.	
9. Information Governance (see also CHS Plan)	Review of statutory compliance – will need to be undertaken across the three service areas (ASC/ PH/ CHS).	

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Children's Services:

The Audit Plan in this area identifies an alternative approach to auditing schools which is proposed to replace the previous 3-year cyclical review, which has been in place for many years. In 2018/19 it is planned to undertake reviews at schools where either the previous audit has resulted in a limited assurance opinion, the school has been identified by Ofsted as requiring improvement or the school is predicting a funding deficit. In addition, a number of thematic reviews will be undertaken across schools to assist the service to evaluate compliance in key areas.

Risk:	Termination of Tri-borough Arrangements with LBHF.	
Audit:	Proposed Scope:	
1. Early Help (including Youth Offending Team)	An audit planned for LBHF – may be relevant for Bi-bo depending on outcome from LBHF audit. TBC - Will depend on the structure, Tri/Bi or sovereign services.	
2. Troubled Families – reporting and funding arrangements	Verification of data for grant claims submissions.	
3. SEN (6 months in)	An audit planned for LBHF – may be relevant for Bi-bo depending on outcome from LBHF audit	
4. Commissioning: Procurement and market management	See ASC/ PH – single commissioning division?	
5. Commissioning: Contract Management	See ASC/ PH – single commissioning division?	

Risk:	Failure to meet the needs and expectations of our customers & politicians.	
Risk:	Failure to deliver a statutory service.	
Audit:	Proposed Scope:	
6. Business Continuity	Review whether local level arrangements are sufficiently robust to provide services.	
7. S17 Payments	TBC	

Risk:	If serious harm comes to a child or young person to who we have a duty of care for, then the Council and/ or partner agencies could be seen to be at fault.	
Audit:	Proposed Scope:	
8. Looked After Children	TBC	
9. Family Support & Safeguarding	Review requested by LBHF – coverage for WCC & RBKC to be discussed with Bi-bo service. RBKC to consider the referrals process from Grenfell Dept.	
10. Multi-Agency Safeguarding Hub (MASH)	TBC	

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Risk:	Failure in legal duty to ensure sufficient childcare provision to meet local need through effective provider engagement and delivery.	
Audit:	Proposed Scope:	
11. Childcare Funding (30 hours)	Higher provision rules came in Sept 2017 and service would like a review of first year of performance.	

Risk:	If breaches are not being handled efficiently and the right persons are not being made aware then we fail in our duty of care to keep the information of families secure. This could result in: reputational harm; penalty sanctions; and severe distress to families as a consequence of any data breaches.	
Audit:	Proposed Scope:	
12. General Data Protection Regulation(GDPR)	Following implementation of GDPR in May 2019, this will be a review of how the department has approached compliance with the focus on how information is disseminated to local services e.g. schools and other external agencies.	
13. See also Information Governance Audit in ASC/PH	Review of statutory compliance – will need to be undertaken across the three service areas (ASC/ PH/ CHS).	

Cyclical Reviews:		
14. Procurement: <ul style="list-style-type: none"> • SEN Transport Re-Procurement; • Youth Service Re-Procurement 	SEN Transport: Timing depends on the stage of procurement and whether audit will be reviewing processes during the procurement. Youth Service: Review currently on-going and will see a different service being commissioned for September 2018.	
15. Contract Management: <ul style="list-style-type: none"> • Exclusions & Tri-borough Alternative Provision 	Contract with externalised service now part of Academy chain and operating nationally. Look at contract monitoring and management arrangements. Consider inclusion of review of statutory risks e.g. H&S	
16. Establishment Audits (non-schools): TBC at WCC	TBC whether required at WCC (establishments at RBKC identified as Olive House and St Marks)	

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Schools:	
Risk:	The changing relationship with schools; we need to ensure effective financial standards and processes are in place in all schools.
17. Targeted Reviews: <ul style="list-style-type: none"> • Schools TBC 	All schools previously receiving limited assurance or identified with issues from Ofsted reviews or projected budget deficit. Schools to be included not yet confirmed. Updated schools audit programme to be used.
18. Thematic Reviews (possible areas): <ul style="list-style-type: none"> • Recruitment; • IR35 Compliance; • Procurement; • GDPR; • IT Security; • Health & Safety. 	Undertake thematic reviews across the school population to review compliance. Actual areas to be covered to be agreed.

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Corporate Services:

The changes in Managed Services provider (HR, Payroll & Finance Services) during 2018/19, which is being led by the Shared Services Director of Corporate Services, is a significant change for the Council and this has been reflected in the Plan. Some audits which relate to the Finance elements of the Managed Service are contained in the City Treasurer's section of the Plan. It should be noted that some audits of procurement and contract management are contained in departmental sections of the Plan, but these audits may still require input from the Council's Corporate Services Procurement Team.

ICT Related Audits:

Risk:	Council Objective – Smart Council – is not achieved	
Audit:	Proposed Scope:	
1. Digital Transformation Programme	WCC - Benefits and management (may be council wide) RBKC - Review of approach to digitalisation of customer services and implementation of related third party software applications.	

Risk:	Council is a Victim of a Cybercrime Incident	
Audit:	Proposed Scope:	
2. Cyber Security	Review will follow up key high risk areas identified in the 201718 Cyber Security audit and how these are being managed. Includes councils approach to Cyber Security, emerging threats, compliance with best practice (Cyber Security Essentials) across related areas including remote access, VPNs, operating systems, email security, multifactor authentication and incident management.	

Risk:	Data breaches could result in harm to one or many council customers;	
Risk:	Significant reputational damage may occur resulting in loss of trust in the Council;	
Risk:	Fines from the regulator (ICO) may be incurred;	
Risk:	Accidental or malicious loss or retention of data.	
Audit:	Proposed Scope:	
3. General Data Protection Regulation (GDPR) Compliance	Review of compliance with new GDPR requirements (effective May2018) and adoption of best practice by services in relation to data management protection and governance post GDPR implementation date.	
4. Web, Internet and Email Security	Consider outcomes of IT Health Checks but may include review of security arrangements for web based portals, internet access, email use including O365, Windows 10 upgrade and multifactor authentication.	
5. Network & Firewall Security including Public Sector Network Compliance (PSN)	Review of intrusion, detection, prevention of unauthorised access to council networks, penetration testing and firewall security arrangements. This review follows on from the 201718 Network Security	

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Risk:	Data breaches could result in harm to one or many council customers;
Risk:	Significant reputational damage may occur resulting in loss of trust in the Council;
Risk:	Fines from the regulator (ICO) may be incurred;
Risk:	Accidental or malicious loss or retention of data.
Audit:	Proposed Scope:
	audit and any key findings will be followed up as part of this review. Review of PSN compliance and mitigating controls implemented to address key PSN risks.

Procurement Related Audits:

Risk:	Failure to follow procurement process leading to delays in procurement and additional incurred costs or legal challenge.
Audit:	Proposed Scope:
6. Procurement - Integrity	Sample of procurements: Compliance with the Council's requirements for reporting declarations of interest/ Bribery Act/ Gifts & Hospitality for example, risk assessments, understanding of ethical standards etc.
7. Provision of Procurement Expertise	Review of governance arrangements to ensure that any arrangement to provide procurement expertise outside of the Council is appropriately managed and risks to the Council limited.
8. Supplier Resilience	Consider policy/processes/ guidance to monitor health of companies. Identify any high priority/ high value contracts. Consider continuity of service e.g. escalation plans, continuity plans, monitoring and reporting.

HR Related Audits:

Risk:	Persistent payroll and Pensions errors.
Audit:	Proposed Scope:
9. Pensions Admin	Consideration of new managed service provider and integration with the service provided by Surrey CC.
10. Payroll	Scope of audit to be determined following discussion with new service provider (who manages the audit plan for the service).

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Managed Services General:

(see also specific audits in City Treasurer and HR sections of the Audit Plan)

Risk:	Replacement Managed Services (MS) (specific risks not yet identified in risk register)	
Audit:	Proposed Scope:	
11. Replacement MS: Programme & Project Input – SAP	General input from IA on major programmes	
12. Replacement MS: ICT Related	Review of key ICT related risks arising from transfer to new integrated Finance, HR and Payroll solution from Agresso. Includes data transfer, system interfaces, system administration, business continuity and disaster recovery arrangements.	
13. Replacement MS: Assurance to the Board	Gap analysis and alternative delivery solutions.	
14. Replacement MS: Data	Data reliability, data cleanse, data cut off and data migration.	
15. Replacement MS: Additional Assurance Work	Additional work required to complement assurances available through the new provider (HCC).	

Legal Services:

Risk:	Reduction in trading income and/or increase in legal costs	
Audit:	Proposed Scope:	
16. New Delivery Model	Assurances provided regarding the service delivery, performance, cost management etc will require a review of the assurances available through the regulatory reviews applied to the new delivery model.	

Other Corporate Services:

Cyclical Reviews:		
17. 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.	
18. Complaints & Customer Engagement	Review the process for receipt, recording and reporting complaints. Link to complaints information managed outside of the corporate system including ASC, CHS and CWH.	
19. Members & MPs Enquiries/ FOI and SARs	Legislative compliance, receipt & recording, allocation to officer(s); timely delivery of responses, review and issue of responses.	

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Cyclical Reviews –Corporate Services General:	
20. Procurement: <ul style="list-style-type: none"> • See departmental audit plans. 	Sample of procurements will be reviewed to ensure that processes follow procurement rules and do not lead to delays in procurement and/or additional incurred costs or legal challenge. See also individual departmental audit plans for proposed areas of procurement related audit work.
21. Contract Management: <ul style="list-style-type: none"> • See departmental audit plans; • Telecommunications Contract (IT). 	Telecoms: Cfdw from 2017/18 – review of contract management of services provided.
22. Programme/ Project Management	See Managed Services Section. Any other programme or project involvement will be identified as required.
23. New Systems: <ul style="list-style-type: none"> • HR: Learning & Development Tools; • HR: Staff Performance Management. 	First review of new systems – to consider the effectiveness and controls within the new systems being procured for implementation in 2018/19.

**Audit & Performance Committee – 1 February 2017
Draft Internal Audit Plan 2018/19**

City Treasurer:

A number of the audits relating to the change in Managed Services provider (HR, Payroll and Finance Services) during 2018/19 are shown in the Corporate Services section of the Plan. However, those Managed Services audits which relate to the activities led by the City Treasurer are included in the Plan below:

Risk:	Replacement Managed Services (MS) (specific risks not yet identified in risk register)	
Audit:	Proposed Scope:	
1. Income Management	Review of how system integrates with the Council's new financial management system.	
2. New Financial Management System	Transfer of balances - Agresso to SAP. Support to City Treasurer on assurance and the external auditors but not a duplication of work undertaken in other areas	
3. Accounts Payable/ Accounts Receivable/ General Ledger	Audit work on assurances to be discussed with the new provider – possibly continuous audit.	

Risk:	Reshaping and improving Council services requires strong financial management skills across the organisation	
Audit:	Proposed Scope:	
4. Budgetary Control	Review of effectiveness of budgetary control within the services following implementation of the new financial management system.	
5. Business Rates Pooling	TBC - London Councils Share to be discussed with City Treasurer	

Cyclical Reviews:		
6. Revenues & Benefits: <ul style="list-style-type: none"> • Council Tax; • Housing Benefit; • Business Rates. 	Programme to be agreed with City Treasurer to supplement not duplicate work undertaken by external audit.	

**Audit & Performance Committee – 1 February 2017
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Policy, Performance & Communications:

The audits identified are in areas which are led by Policy, Performance and Communications, however, they are also relevant to the whole Council and may require input from other Departments.

Cyclical Reviews:	
1. Strategic Objectives	Review the processes for ensuring that the Council's Strategic Objectives are reviewed and reported on at the appropriate level and frequency.
2. Risk Management	Review processes for ensuring that the Council's key risks are identified, mitigated and reported at the appropriate level and frequency.
3. Corporate Performance Monitoring	To include the information reported on performance, including complaints.

Growth, Planning & Housing:

Some audits identified in the part of the Audit Plan cut across work that is undertaken in other service areas. Where this is known, this is indicated below and cross-referenced to the other service area (e.g. City Management & Communities).

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Risk:	Failure to ensure compliance with statutory requirements and provide a safe environment for staff and residents.	
Audit:	Proposed Scope:	
1. Organisational Health & Safety (see also CMC plan)	Ongoing review of policies, procedures, compliance following on from initial work in 2017/18.	
2. Management of Compliance Data such as gas safety checks, electrical safety checks etc	Identification of properties requiring safety checks - All required data is available, accurate and complete to enable the Council to demonstrate compliance with regulatory requirements and to identify where improvements can be made.	
3. Building Control	Service planning & delivery - resourcing (delayed from previous year).	
4. FM Contract	Contract exit, re-procurement & intermediary steps, data quality, KPIs - some review as it happens.	

Risk:	Failure to deliver projects due to lack of capacity and capability in Property & Projects.	
Audit:	Proposed Scope:	
5. Capital Programme (see also CMC plan)	Follow on from review of new processes at end of Q4 2017/18 - review effectiveness of the new processes. Possible schemes to review include City Hall Refurbishment.	
6. Transformation of Service Delivery	Oversight and support - to be discussed.	
7. Place Shaping: Delivery of Programmes against six areas of focus	Scope to be further discussed with service lead - programme assurance	

**Audit & Performance Committee – 1 February 2017
Draft Internal Audit Plan 2018/19**

Risk:	Funding the impact of the Homeless Prevention Bill	
Risk:	Adverse publicity and of challenge to the new suite of homelessness policies which were introduced in January 2017	
Audit:	Proposed Scope:	
8. Implementation of the Homelessness Reduction Act	Housing options (re-tendered service with effect from Oct 2017). New prevention model, single front door. Temporary accommodation and discharge of homelessness duty.	

Risk:	Uncertainty around effects of Brexit decision leading to the delaying or withdrawing of investment decisions, a slowing of income growth and falling capital values.	
Risk:	Failure to deliver the asset rationalisation programme.	
Audit:	Proposed Scope:	
9. Income: Property, Investments & Estates	Major income generating projects. How effective they are at achieving income targets and identifying areas of strength and weakness to inform decision making. (note implementation of the Investment Strategy for Commercial Properties cfwd from 2017/18).	

Risk:	Change in legal requirements relating to energy performance of Council (non-residential) buildings. From 2019 it is not possible to rent out properties rated worse than E.	
Audit:	Proposed Scope:	
10. Energy Performance of Building Directive: Progress including Enforcement (see also Enforcement under CMC)	Review of processes to ensure that the Council is effectively managing non-residential buildings to be compliant with the Directive to maximise rental income.	

Risk:	Supply of private sector housing affordable to households on benefits does not meet demand from the Council's statutory requirements.	
Audit:	Proposed Scope:	
11. Temporary Accommodation	Focus on proactive - anti- fraud measures (led by proactive fraud approach with audit controls included) - good practice etc including compliance with regulatory side as well checks on residency..	

Risk:	Government preventing local authorities from making charges	
Audit:	Proposed Scope:	
12. Income: General Sources of Income (not investment income – see separate audit)	All sources of income are identified with appropriate management oversight and reporting. Appropriate and approved charging policies etc	

**Audit & Performance Committee – 1 February 2017
Draft Internal Audit Plan 2018/19**

Cyclical Reviews:	
13. Management of TMOs	How the council ensures that appropriate support and oversight is provided to the TMOs by CWH.
14. Housing Repairs	Review of arrangements for managing housing property repairs.
15. Adult Education Service: Assurance Review	To be discussed with the Service Lead.

**Audit & Performance Committee – 1 February 2017
Draft Internal Audit Plan 2018/19**

City Management & Communities:

Some audits identified in the part of the Audit Plan cut across work that is undertaken in other service areas. Where this is known, this is indicated below and cross-referenced to the other service area (e.g. Growth, Planning & Housing).

Risk:	Failure to ensure compliance with statutory requirements and provide a safe environment for staff and residents.	
Audit:	Proposed Scope:	
1. Organisational Health & Safety (see also GPH plan)	Ongoing review of policies, procedures, compliance following on from initial work in 2017/18.	

Risk:	Failure to deliver projects due to lack of capacity and capability in Property & Projects.	
Audit:	Proposed Scope:	
2. Capital Programme (see also GPH plan)	Follow on from review of new processes at end of Q4 2017/18 - review effectiveness of the new processes. Possible schemes to review include City Hall Refurbishment.	
3. Digital Transformation Programme	See Corporate Services Plan. Benefits & management (council wide not just CMC)	

Risk:	Limited crime data being available which has impacted on the ability to develop analytical products, intelligence led initiatives and necessary statutory products.	
Audit:	Proposed Scope:	
4. Community Safety	Review of systems and processes in place to support the Council's Community Safety responsibilities.	

Risk:	Reduction in Funding: MOPAC funding allocation for the next 4 years represents a 56% reduction on previous funding. Includes 30% top slice that has been put into central MOPAC funding pot which will be subject to funding bids to support commissioning work. Tranche 1 of the additional funding will be made available from 2018/19.	
Audit:	Proposed Scope:	
5. Management of Funding (e.g. MOPAC)	To liaise with the service on audit review. Possible advisory review of the funding management including funding bids.	

Risk:	Failure to achieve registrars increased income targets;	
Risk:	Manage change in demand for nationality services	
Audit:	Proposed Scope:	
6. Registrar Service - Income	Significant investment in the service (refurb of Council House). Effectiveness of improved service offering to increase income (note differential services discussions).	

**Audit & Performance Committee – 1 February 2017
Draft Internal Audit Plan 2018/19**

Risk:	Failure to follow procurement process leading to delays in procurement and additional incurred costs or legal challenge.	
Audit:	Proposed Scope:	
7. Procurement & Contract Management: <ul style="list-style-type: none"> • Car Clubs (procuring now for implementation in Feb 2018); • Thematic reviews and informed from other audit work. 	Car Clubs: Review of procurement compliance & effective contract management arrangements. Review of significant procurement (TBC) & compliance with Procurement Code & procurement management.	

Risk:	Failure to implement the effective neighbourhood working programme.	
Audit:	Proposed Scope:	
8. Effective Neighbourhood Working	Similar to review of Libraries operating model (2017/18 plan) Governance, operating model, compliance with legislation (e.g. noise nuisance).	

Risk:	Change in legal requirements relating to energy performance of Council (non-residential) buildings. From 2019 it is not possible to rent out properties rated worse than E.	
Audit:	Proposed Scope:	
9. Enforcement: Energy Performance of Building Directive, Progress	To review the processes in place for ensuring that appropriate arrangements are in place for enforcing the Directive in respect of non-Council owned property. (See also GPH plan re Council properties).	

Risk:	Council Objective - Greener City – is not achieved	
Audit:	Proposed Scope:	
10. Electric Vehicles – Charging Policy	Review to inform the proposed charging strategy for electric vehicles.	

Risk:	Inability of the organisation to continue to identify savings over the coming years to meet the expected reduction in net budget requirement.	
Audit:	Proposed Scope:	
11. Fees & Charges: <ul style="list-style-type: none"> • Parks; • Cemeteries & Crematorium. 	Is the service provided & charges made at the right levels & providing VFM.? Some benchmarking required. Consider the differential services program to identify alternative revenue streams & moving towards a more commercial approach.	

Contingency:		
12. Highways–Code of Practice	Change method of reporting asset valuations was deferred. Scope to be discussed with the service.	

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City of Westminster

Audit & Performance Committee Report

Meeting:	Audit & Performance Committee
Date:	1 February 2018
Classification:	General Release
Title:	Work Programme
Wards Affected:	N/A
Financial Summary:	There are no direct financial implications arising from this report
Report of:	Head of Committee & Governance Services
Report Author:	Reuben Segal, Senior Committee and Governance Officer. Tel: 020 7641 3160 or email: rsegal@westminster.gov.uk

1. Executive Summary

- 1.1 The Committee is invited to agree the agenda items for the next meeting on the 23 April attached at appendix 1.
- 1.2 The Committee is asked to note the actions which arose from the last meeting and the work undertaken in response, as detailed in appendix 3.

2. Recommendations

1. That the Committee notes its agenda for the next meeting on the 23 April as set out in **appendix 1** to the report.
2. That the work undertaken in response to the actions which arose from the last meeting, as detailed in at **appendix 3** to the report, be noted.

3. Choosing items for the Work Programme

- 3.1 A Work Programme for 2017/18 is attached at appendix 1 to the report.
- 3.2 Members' attention is drawn to the Terms of Reference for the Audit and Performance Committee (attached as appendix 2) which may assist the Committee in identifying issues to be included in the Work Programme.
- 3.3 The work programme will be reviewed at each meeting of the Committee and items can be removed or added as necessary.

4. Task Groups

- 4.1 There are no task groups operating at present.

5. Monitoring Actions

- 5.1 The actions arising from each meeting are recorded in the Action Tracker attached as appendix 3. Members are invited to review the work undertaken in response to those actions.

6. Resources

- 6.1 There is no specific budget allocation for the Audit and Performance Committee.

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

Reuben Segal, Senior Committee and Governance Officer

Tel: 020 7641 3160 or email: rsegal@westminster.gov.uk

APPENDICES:

Appendix 1 – Work Programme 2017/18

Appendix 2 – Terms of Reference

Appendix 3 – Committee Action Tracker

BACKGROUND PAPERS: None

Work Programme 2017/18

Audit and Performance Committee

17 July 2017

Agenda Item	Reasons & objective for item	Lead Officer
Work Programme 2017/18	The Committee is invited to review its work programme for the 2017/18 municipal year.	Reuben Segal
Annual Statement of Accounts	To formally receive and approve the final accounts with any update arising from the public inspection period.	Steve Mair (Finance)
Annual Contracts Review 2016/17	To review of the City Council's contracts, including details of contracts awarded, waivers and performance.	Anthony Oliver (Procurement)
2016/17 End of year Performance Business Plan Monitoring and Period 2 (May) Report	<p>The year-end report presents detailed performance results for the year April 2016 to March 2017 against the 2016/17 business plans.</p> <p>To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA</p>	<p>Steve Mair (Finance)</p> <p>Damian Highwood/Mo Rahman (Performance)</p>

	revenue and capital expenditure and reserves.	
Capital Programme Delivery Review	To consider key solutions to address concerns regarding delays in the delivery of key capital projects including how the capacity and capability of the organisation to deliver capital programmes can be enhanced. To receive an overview of the implementation of the new approach across 3 or 4 schemes..	Steve Mair (Finance)
Discretionary Housing Payment (DHP) Delegated Decisions	To receive an overview of DHP applications received and determined at officer level in the last 12 months including amounts awarded as well as information on procedures and verification processes.	Gwynn Thomas Senior Benefits Policy Officer

18 September 2017

Agenda Item	Reasons & objective for item	Lead Officer
Work Programme 2017/18	The Committee is invited to review its work programme for the 2017/18 municipal year.	Reuben Segal
Finance & Performance Business Plan Monitoring Report	<p>To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves.</p> <p>To monitor Quarter 1 performance results against the 2017/18 business plans</p>	<p>Steven Mair (Finance)</p> <p>Mo Rahman (Performance)</p>
Internal Audit Monitoring Reports	To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	David Hughes (Internal Audit)
Commercial Revenue Performance	To consider the performance and outcomes as well as future targets of corporate commercial revenue performance. To examine the risks and mitigations associated with achieving these objectives.	Steve Mair (Finance)
General Fund Reserves Policy	To consider how the aim to build up further general fund reserves over the next 5 years can be delivered and the risks for achieving this together with mitigation measures.	Steve Mair (Finance)

23 November 2017

Agenda Item	Reasons & objective for item	Lead Officer
Work Programme 2017/18	The Committee is invited to review its work programme for the 2017/18 municipal year.	Reuben Segal
Grant Thornton Annual Audit Letter 2016/17	To consider Grant Thornton's assessment of the Council's financial statements and its arrangements to secure value for money in its use of resources.	Paul Dossett Paul Jacklin (Grant Thornton)
Corporate Complaints 2016/17	To report on the volume and details of complaints received by the Council and CityWest Homes in 2016/17.	Sue Howell (Complaints)
Finance & Performance Business Plan Monitoring Report	To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves. To monitor Quarter 2 performance results against the 2017/18 business plans	Steven Mair (Finance) Cathy Mullins/Mo Rahman (Performance)
Internal Audit Monitoring Report	To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	David Hughes (Internal Audit)
Mid-Year Counter Fraud Monitoring Report	To oversee and monitor the success of the Counter Fraud Service	Andy Hyatt (Anti-Fraud)

1 February 2017

Agenda Item	Reasons & objective for item	Lead Officer
Work Programme 2017/18	The Committee is invited to review its work programme for the 2017/18 municipal year.	Reuben Segal
Grant Thornton Certification of Claims and Returns Annual Report (Audit 2016/17)	To report the findings from the certification of 2016/17 claims and the messages arising from the assessment of the Council's arrangements for preparing claims and returns and information on claims that were amended or qualified.	Paul Dossett Paul Jacklin (Grant Thornton)
Grant Thornton Annual Audit Plan 2017/18	To set out the audit work that Grant Thornton proposes to undertake for the audit of the financial statements and the value for money (VFM) conclusion 2017/18.	Paul Dossett Paul Jacklin (Grant Thornton)
Finance & Performance Business Plan Monitoring Report	To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves. To monitor Quarter 3 performance results against the 2017/18 business plans	Steven Mair (Finance) Cathy Mullins/Mo Rahman (Performance)
Maintaining High Ethical Standards at the City Council	To maintain an overview of the arrangements in place for maintaining high ethical standards throughout the Authority	Tasnim Shawkat (Monitoring Officer)
Update on Cyber Security	To consider the Council's mitigations to reduce the risk of cyber-crime incidents.	Ben Goward (ICT)

Internal Audit Monitoring Report	To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	David Hughes (Internal Audit)
Internal Audit Plan 2018/19	To review and comment on the draft audit plan for 2018/19	David Hughes (Internal Audit)

23 April 2017

Agenda Item	Reasons & objective for item	Lead Officer
Draft Annual Statement of Accounts and Outturn 2017/18	To review the draft 2017-18 Annual Statement of Accounts and outturn.	Steve Mair (Finance)
Draft Audit Findings Report 2017/18	To review the reports from the Council's external auditors on the key findings arising from their audit of the councils 2017-18 financial statements (Council and Pension Fund)	Paul Dossett Paul Jacklin (Grant Thornton)
Performance Business Plan Monitoring Report	To monitor Quarter 3 performance results against the 2017/18 business plans	Cathy Mullins/Mo Rahman (Performance)
Update on Arrangements for the Management of the Capital Programme	To consider an update on arrangements that are in place to manage the Council's capital programme for the General Fund and Housing Revenue Account.	Steve Mair (Finance)

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AUDIT AND PERFORMANCE COMMITTEE TERMS OF REFERENCE

CONSTITUTION

4 Members of the Council, 3 Majority Party Members and 1 Minority Party Member, but shall not include a Cabinet Member.

TERMS OF REFERENCE

Audit Activity

1. To consider the head of internal audit's annual report including the auditor's opinion on the Council's control environment and a summary of internal audit and anti-fraud activity and key findings.
2. To consider reports, at regular intervals, which summarise:
 - the performance of the Council's internal audit and anti fraud service provider/s
 - audits and investigations undertaken and key findings
 - progress with implementation of agreed recommendations
3. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
4. To consider specific reports as agreed with the external auditor.
5. To comment on the scope and depth of external audit work and to ensure it gives value for money.
6. To liaise with the Independent Auditor Panel (once established) over the appointment of the Council's external auditor.
7. To comment on the proposed work plans of internal and external audit.

Regulatory Framework

8. To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
9. To review any issue referred to it by the Chief Executive or a Director, or any Council body.
10. To monitor the effective development and operation of risk management and corporate governance in the Council.

11. To monitor Council policies on 'Raising Concerns at Work', the Council's complaints process and the Antifraud and Corruption Strategy; specifically the effectiveness of arrangements in place to ensure the Council is compliant with the Bribery Act 2010.
12. To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.
13. To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
14. To consider the Council's compliance with its own and other published standards and controls.
15. To maintain an overview of the arrangements in place for maintaining High Ethical Standards throughout the Authority and in this context to receive a report annually from the Head of Legal and Democratic Services and the Chief Finance Officer.

Accounts

16. To review the annual statement of accounts and approve these for publication. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
17. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Performance Monitoring

18. To review and scrutinise the financial implications of external inspection reports relating to the City Council.
19. To receive the quarterly performance monitoring report and refer any issues which in the Committee's view require more detailed scrutiny to the relevant Policy and Scrutiny Committee.
20. To review and scrutinise personnel issues where they impact on the financial or operational performance of the Council including but not limited to agency costs, long-term sickness, ill health early retirements and vacancies; and
21. To review and scrutinise Stage 2 complaints made against the City Council and monitor progress.

22. To consider and advise upon, prior to tender, the most appropriate contractual arrangements where a proposed contract has been referred to the Committee by the Chief Executive.
23. To maintain an overview of overall contract performance on behalf of the Council.
24. To review and scrutinise contracts let by the Council for value for money and adherence to the Council's Procurement Code.
25. To review and scrutinise the Council's value for money to Council tax payers.
26. To scrutinise any item of expenditure that the Committee deems necessary in order to ensure probity and value for money.

Staffing

27. To advise the Cabinet Member for with responsibility for Finance on issues relating to the remuneration of all staff as necessary.
28. In the course of carrying out its duties in respect of 27 above, to have regard to the suitability and application of any grading or performance related pay schemes operated, or proposed, by the Council.

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COMMITTEE ACTION TRACKER
ACTIONS: 23 November 2017

ACTION	OUTCOME	LEAD OFFICER
CORPORATE COMPLAINTS 2016 - 2017		
<p>1. The committee would like information on complaints for Adults and Children Social Services and CityWest Homes which are not dealt with through the Council's complaints procedure as well as any complaints forwarded to the housing ombudsman.</p>	<p>Complaints for Adults Services was circulated on the 21 December.</p> <p>Complaints data for Children Social Services and CWH is outstanding and being chased.</p>	<p>Sue Howell, Complaints and Customer Manager</p>
<p>2. The committee also requested specific detail on complaints within certain service areas as follow:</p> <ol style="list-style-type: none"> 1. The 8 complaints with allegations of incorrect charges which were all upheld; were they all within the same service? 2. within highways infrastructure and public realm and campaigns and engagement; 3. The complaint about staff rudeness or inappropriate behaviour which was upheld; 4. How many of the Housing Benefit complaints are explicit complaints versus queries about how an application is proceeding? 	<p>This information was circulated on the 21 December.</p>	<p>Sue Howell, Complaints and Customer Manager</p>
FINANCE (PERIOD 6) AND QUARTER 2 PERFORMANCE BUSINESS PLAN MONITORING REPORTS		
<p><u>Finance (Period 6)</u></p> <p>1. The committee would like future reports to include an explanation for any reprofiling of General Fund Capital Programme schemes and a detailed breakdown of Housing Revenue Account capital expenditure.</p>	<p>This will be effected as from the next report submitted.</p>	<p>Steve Mair, City Treasurer</p>

<p>2. Provide details of the reasons for the overspend in the Sir Simon Milton University Technical College scheme.</p>	<p>This information was circulated on the 21 December.</p>	<p>Steve Mair, City Treasurer</p>
<p><u>Quarter 2 Performance Monitoring Report</u> <u>Organisational Health Scorecard – Workforce:</u> Provide some context in future reports on how the outturn of around 14% - 15% annual staff turnover compares with other local authorities;</p>	<p>This will be included from the Q3 report onwards.</p>	<p>Mo Rahman, Evaluation and Performance Analyst</p>
<p><u>Organisational Health Scorecard – delivery:</u> Are any of the active KPIs which are off track of target within critical service areas?</p>	<p>This information was circulated on 15 December.</p>	<p>Mo Rahman, Evaluation and Performance Analyst</p>
<p>Provide a narrative in future reports where any impacts to achieving the overarching objectives of the Council or risks and issues within service directorates are being impacted by the move from Tri-Borough to Bi-borough services or MSP performance.</p>	<p>This will be included from the Q3 report onwards.</p>	<p>Mo Rahman, Evaluation and Performance Analyst</p>
<p>Integrate complaints data alongside the City Survey findings within future performance reports to provide better contextual insight on the reason behind complaints.</p>	<p>This is in development and officers are looking at the best way to incorporate this information.</p>	<p>Mo Rahman, Evaluation and Performance Analyst</p>
<p><u>Adult Social Care</u> Clarification on the position reported for 'Number of Carers who received an assessment review KPI' and whether the outturn is cumulative and why the figure reported is low relative to last year. Also why the target is progressive and not ongoing (e.g. we aim to have 85% of carers assessed and reviewed throughout the year and not just by YE).</p>	<p>This information was circulated on 15 December.</p>	<p>Mo Rahman, Evaluation and Performance Analyst</p>
<p><u>Waste & Parks (Street cleansing):</u> the committee would like to know if any of the streets that have failed the street survey score for litter have a persistent litter problem and which streets these are.</p>	<p>This information was circulated on 15 December.</p>	<p>Mo Rahman, Evaluation and Performance Analyst</p>
<p>The committee would like a copy of the most recent performance report from CityWest Homes;</p>	<p>This information was circulated on 15 December.</p>	<p>Jonathan Cowie, CEO, CityWest Homes</p>

<p><u>Children's Services</u> That concerns around the performance of completing EHC assessments within the 20 weeks and transferring SEN statements to EHC plans be referred to the Children, Environment and Leisure Policy and Scrutiny Committee for more detailed scrutiny.</p>	<p>The Children, Environment and Leisure Policy and Scrutiny Committee had asked the relevant Cabinet Member for an update on this at its meeting on 20th November. The committee intends to follow up this issue at its April meeting.</p>	<p>Reuben Segal, Committee and Governance Services</p> <p>Aaron Hardy, Scrutiny Manager</p>
<p>MID YEAR COUNTER FRAUD MONITORING REPORT</p>		
<p>The committee would like to see a greater emphasis on prosecuting offenders in order to act as a deterrent to others.</p>	<p>In accordance with the Council's anti-fraud and corruption strategy, CAFS will always seek the strongest possible sanction against any individual or organisation that defraud, or attempt to defraud Westminster City Council, including criminal prosecution where appropriate.</p>	<p>Andy Hyatt, Head of Fraud</p>
<p>The committee would also like to see more detail on successful prosecution outcomes in future reports.</p>	<p>Further details on prosecution outcomes will be provided in future reports.</p>	<p>Andy Hyatt, Head of Fraud</p>

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City of Westminster

Audit & Performance Committee Report

Committee

Audit and Performance Committee

Date:	1st February 2018
Classification:	General Release (Appendix 3 not for publication)
Title:	Update on the mitigation measures to protect the Council from the risk of cybercrime.
Wards Affected:	All
Key Decision:	Not Applicable
Financial Summary:	Not Applicable
Report of:	Ben Goward CIO

1. Summary

1.1. This report provides a briefing on current cyber security arrangements that are in place and which are further developing to protect the Council from and manage the impact of cybercrime.

1.2. The paper covers the following:

- IT Cyber Security currently employed by the council
- Information Security Strategy Initiatives
- Programmes in deployment
- Programmes scheduled
- Cyber Security Incidents

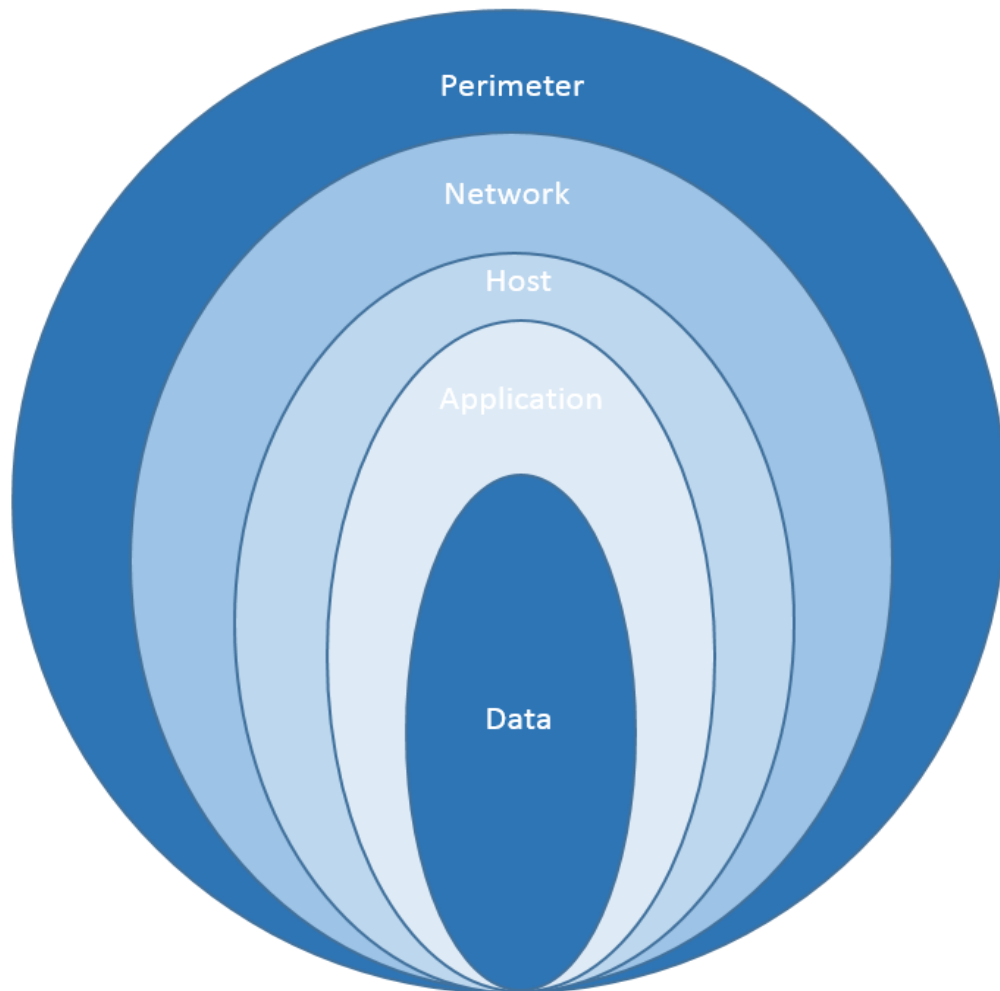
2. Recommendations

2.1 That Appendix 3 attached to this report be exempt from disclosure by virtue of the Local Government Act 1972 Schedule 12A, Part 1, paragraph 7 as amended, in that it contains information relating to any action taken or to be taken in connection with the prevention of crime.

2.2 That the report be noted.

3. Cyber Security Currently employed

- 3.1 Cyber security for the council is provided through the implementation of security policies, technical controls and security education & awareness programs.
- 3.2 The Policies and technical controls support the council in achieving its compliance requirements for Legal & Regulatory obligations and in support of compliance with the PSN CoCo, NHS (Information Governance Toolkit) and Payment Card Industry – Data Security Standard (PCI-DSS).
- 3.3 Security policies are managed and maintained through the online tool Net Consent, which is configured for managing new starters and user re-compliance (auto notification management). Policy enforcement is configured and includes blocking access to network resources prior to acceptance by users, manages periodical renewals and provides notification to the councils Information security team (InfoSec) for all non-compliance.
- 3.4 The Council provide elements of defence in depth for IT services both internally and from their suppliers. Defence in depth is the principle of layering security mechanisms to increase security of the system as a whole. The following sections represent layered security (details of products currently employed can be found in Appendix 1).



Layers of Defence in Depth

Perimeter

- 3.5 The perimeter is the boundary between the private (council network) and public network, this is protected by security gateways (Firewalls) and services which control, inspect and prevent risks to the council's networks and services.
- 3.6 The Network is further protected through a demilitarized (DMZ), which sits just inside the perimeter and is segregated from both the public and internal networks and provides a controlled secure zone plus the second layer of security for the council.

Network

- 3.7 The council have a private site to site wide area network which provides connectivity to all their sites. The network is protected by its physical separation

from the public network. The Councils Local Area Networks sit within each site and are protected by the perimeter and DMZ.

Data Centre services and End User Compute

- 3.8 The data centres (DC) host infrastructure and services for the council. DC services employ defence in depth, vulnerability management and are governed by ISO 27001 certification. The ISO22301 certification assures Business Continuity & Disaster Recovery.
- 3.9 End user compute provides the user community's desktop, laptop and mobility requirements (iPads, iPhones and Android Phones). Desktop and laptop estates include; Anti-virus, full disk encryption, BIOS and domain login controls.
- 3.10 Mobility; Apple products (iPads, iPhones) by default employ encryption and have centralised control from a managed data manager (MDM). The MDM has the capability to remote data wipe plus remote lock device and SIM. The Samsung Android Phones are policy controlled by Microsoft Sync. Note: Android Phones are only permitted to handle OFFICIAL Data.

Web Services

- 3.11 The council's Microsoft O365 service is cloud based and connectivity to O365 is achieved across the public network. The information exchanged across the public network is secured by Network Layer Security/Secure Sockets Layer (TLS/SSL) certificates which provide encapsulation and encryption of all information. The councils web facing services are protected by controls employed by both Network and virtual cloud based Firewalls, and Web hosting is protected with defence in depth and governed by ISO27001 certification.

Other service suppliers

- 3.10 Agilisys provide service Desk and are ISO27001 certified.

4. Security Strategy Initiatives

- 4.1 The Information security strategy sets out the first strategic plan developed by the shared IT service and details the priorities for managing, control and protecting information assets. The strategy outlines the strategic objectives and mandates that future initiatives are based upon improving the council's security position.
- 4.2 A list of the 5 initiatives is provided here (more details can be found in Appendix 2).
 - 1. Security Policy, Standard and Guidelines audit and update.
Review, update and publish Security Policy, Standards and Guideline Framework.

2. IT Security Governance.
Implement new IT Security Governance Programme.
3. Microsoft O365 Multi Factor Authentication Implementation
Security oversight and signoff for improved Identity and Access Management (IDAM).
4. PSN re-certification.
Drive ITHC, remediation and PSNA submission.
5. Information Security Awareness Training
Develop and deliver a user education programme, linked with GDPR

5. Programs in deployment

- 5.1 The programs in this section have a relationship with the security strategy and form those programs which are already being actively implemented.

A list and summary of programs currently in deployment

1. Security Policy audit.
Audit existing security policies against ISO27001 and industry best practice, report on status, list recommendations and requirements aligning with General Data Protection Regulation (GDPR) requirements (April 2018).
2. Security Governance
Develop and implement Security Governance across IT Services (Jan 2018).
3. Microsoft O365 Multi Factor Authentication.
Deploy Modern Authentication and implement Multi Factor Authentication (Feb 2018).
4. PSN Re-certification.
Complete IT Health Check, plan and complete remediation's identified and submit application. (March 2018).
5. Information Security Awareness Training.
Design and implement training including requirements addressing new policies and GDPR requirements (April 2018).

6. Programs scheduled

- 6.1 The programs in this section have yet to commence deployment and implementation the current date for completion within 2018.

Microsoft Win10

- 6.2 The program will see the deployment of Microsoft Windows 10 across both the WCC and RBKC EUC estates, this joint initiative is to realise the merging for management and security benefits WIN 10 enables, a security workshop at WCC is scheduled for the 9th Jan 2018.

Microsoft Intune

- 6.3 The program will see the deployment of Microsoft Intune which will eventually replace Airwatch again benefiting both councils, centralising management and control simplifying policy and security. Additional benefit this is a member of Microsoft cloud services family and will benefit from integration with Microsoft O365.

Microsoft SCCM

- 6.4 WCC already consume this service, however a new instance is required to realise the benefits of centralised management and security.

7. Cyber Security Incidents

- 7.1 The cyber security incidents experienced by the council are listed in appendix 3 due to the sensitive nature of this information and the risk it poses the information is a summary of each occurrence.

Appendix 1

Network & Perimeter security infrastructure services

Perimeter Firewalls; Palo Alto; a separate network for the management of Distributed Denial of Service (DDoS), Intrusion Prevention Service (IPS), URL Filtering and Logging.

DMZ Firewalls; Checkpoint; IPS, URL Filtering, Application Control and Logging, Private Site to site WAN network Multi-Protocol Label Switching (MPLS), (Virgin partner supplier; Intercity).

Data Centre Services and End User Compute (EUC)

Data Centre services provided BT who are ISO27001 and ISO22301 certified Windows 7 Desktop and Laptop estate; Anti-virus, full disk encryption Airwatch Mobile Data Manager (MDM); iPads, iPhones (OFFICIAL-SENSITIVE) Apple employ encryption by default.

Microsoft Active Sync: Samsung Android (OFFICIAL) policy controlled.

Web Services

O365 connection from the Council utilises Transport Layer Security (TLS)/Secure Sockets Layer (SSL) certificates.

Code Enigma (ISO27001); Utilising Amazon Web services, Virtual Private Cloud (virtual FW), IPS, AV, Root Kit Hunter and TLS/SSL certificate management. RBKC Web team manage payment services for WCC; these services are PCI-DSS compliance maintained, the team also provide TLS/SSL certificate management. Web Hosting services are provided by Code Enigma Web who are (ISO27001 certified)

Appendix 2

Security Strategy Initiatives

1. Security Policy, Standard and Guidelines audit and update.
2. IT Security Governance.
3. Microsoft O365 Multi Factor Authentication Implementation
4. PSN re-certification.
5. Information Security Awareness Training

Initiative	Milestone	Due Date	
1.	<u>Review</u>		
	ISO27001 policy audit	5 th Jan 2018	
	Report audit findings and recommendations.	12 th Jan 2018	
	Agree actions, identify owners	17 th Jan 2018	
	<u>Update</u>		
	Initiate program of work	22 nd Jan 2018	
	Reporting	Weekly	
	Stake holder engagement	TBA	
	Design review comms plan	TBA	
	Execute Comms Plan	TBC	
	<u>Publish New Policies</u>	April 2018	
	2.	Engage Stakeholders	
		Draft Security Forum Governance Terms of Reference (ToR)	12 th Jan 2018
Draft Forum Meeting Minutes Template		15 th Jan 2018	
Implement Governance meetings		25 th Jan 2018	
3.	Complete Back out testing	12 th Jan 2018	
	Commence UAT	15 th Jan 2018	
	Complete UAT	19 th Jan 2018 TBC	
	Commence live deployment	5 th -9 th Feb 2018	
4.	Commence ITHC review	10 th Jan 2018	
	Issue mitigations listing	17 th Jan 2018	
	Chair mitigations delivery workshop	19 th Jan 2018	
	Commence Mitigations implementation	22 nd Jan 2018	

	Draft PSN CoCo submission	2 nd Feb 2018
	Complete Mitigations	2 nd March 2018
	Collate artefacts for submission	28 th Feb 2018
	Engage PSNA	TBC
	Submit application	28 th March 2018
5.	Engage stakeholders	17 th Jan 2018
	Review current training	26 th Jan 2018
	Chair requirements workshop	5 th Feb 2018
	Initiate program of work	26 th Feb
	Create comms strategy	TBC
	Create implementation plan	TBA
	Complete program	April 2018

Ben Goward
Chief Information Officer

Background papers:

Email Security Incident v0.2
Unusual Account Activity Remediation process.docx **(Not for Publication)**

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