



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	3 February 2016
Classification:	For General Release
Title:	Internal Audit Progress Report – November to December 2015
Wards Affected:	All
Financial Summary:	The Council's budget
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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 no limited assurance audits issued.
- 1.2 Follow up reviews completed in the period confirmed that the implementation of medium and high priority recommendations has been consistently effective.
- 1.3 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** - Internal Audit Service – Performance Indicators & Assurance Levels

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

With effect from 1 April 2015, the Council's internal audit service has been provided by the Tri-borough Internal Audit Team which 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. Reports on the outcomes of audit work are presented each month to the Council's Section 151 Officer and to Members of the Audit & Performance Committee. 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.
- 4.3 Although no key controls testing has been undertaken by internal audit work on the Council's key financial systems due to the ongoing implementation of the Managed Services Programme, the Finance service has undertaken an extensive range of testing of systems transactions including:
- Payroll;
 - Treasury;
 - Pensions;
 - Income;
 - Payments;
 - Interfaces;
 - Manual Payments; and
 - Reconciliations

This testing has been undertaken, amongst others to mitigate the risks associated with the new system and has identified a range of issues which have

been reported to the Managed Service Provider for correction and substantive resolution. Internal Audit has reviewed the testing undertaken and is working with the Finance service to follow up on the actions taken to resolve the issues identified.

5. Audit Outcomes (November to December 2015)

- 5.1 Since the last report to Members two audits have been completed, neither of which identified any key areas of concern:

Audit	Assurance	RAG
Freedom Passes	Satisfactory	Green
Business Intelligence	Satisfactory	Green

Further information on these audits is contained in Appendix 2.

5.2 Implementation of Audit Recommendations

In the period under review, two follow up audits were undertaken which found that the implementation of recommendations was good with 100% of high and medium priority recommendations implemented or being implemented at the time of the review:

Audit	No of Recs Made	No of Recs Implemented	No of Recs In Progress
College Park Special School	15	13*	1 (1 Low Priority)
QEII Special School	17	16	1 (1 Low Priority)
Totals	32	29	2

*One medium priority recommendation had not been implemented by College Park School at the time for the audit.

5.3 Performance of the Internal Audit Service

The key performance indicators for the internal audit service are contained in Appendix 4. As shown by the performance indicators, the quality of audits delivered was of a high standard with recommendations accepted and implemented in a timely manner and positive satisfaction surveys received from auditees.

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

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BACKGROUND PAPERS

Internal Audit Reports;
Monthly monitoring reports.

Audits Completed – Year to Date 2015/16

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	Tri-b Personalisation (Cfwd from 2014/15)	Green	SATISFACTORY	0	2	0	Sep-15
Adult Social Care	Tri-b – Residential Placements (Cfwd from 2014/15)	Amber	LIMITED	3	5	1	Sep-15
Adult Social Care	Tri-b Mental Health Care Management (Cfwd from 2014/15)	Green	SATISFACTORY	0	5	0	Dec-15
Children's Services	Tri-b Commissioning & Procurement Governance (Cfwd from 2014/15)	Green	SATISFACTORY	0	3	3	Sep-15
Children's Services	Tri- b Passenger Transport – Post Procurement Review (Cfwd from 2014/15)	Amber	LIMITED	4	7	5	Sep-15
Children's Services	Tri-b School Meals Contract (Cfwd from 2014/15)	Green	SUBSTANTIAL	0	0	3	Sep-15
Children's Services	Tri-b Early Help (Cfwd from 2014/15)	Green	SATISFACTORY	0	3	3	Sep-15
Children's Services	Tri-b Fostering & Adoption	Amber	LIMITED	2	4	0	Dec-15
Corporate Services	Tri-b – MSP Data Migration	Amber	LIMITED	3	0	0	Sep-15
Corporate Services	Tri-b – MSP Interfaces & Acceptance Testing	Amber	LIMITED	1	6	0	Sep-15
Corporate Services	DBS Checks	Amber	LIMITED	5	3	1	Sep-15
Corporate Services	Tri-b Procurement Pre-Qualification Process - Voice & Data Network	Green	SUBSTANTIAL	0	0	1	Sep-15
Corporate Services	Tri-b Multi-user Logins (Cfwd from 2014/15)	Red	NONE	5	1	0	Dec-15
Corporate Services	Risk Management	Green	SATISFACTORY	0	6	1	Dec-15

Audits Completed – Year to Date 2015/16

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	Tri-b Business Intelligence	Green	SATISFACTORY	0	6	3	Feb-16
Growth, Planning & Housing	Management of TMOs	Amber	LIMITED	1	7	4	Sep-15
Growth, Planning & Housing	Service Charges	Green	SUBSTANTIAL	0	1	1	Dec-15
Growth, Planning & Housing	Asset Management and Valuations	Green	SATISFACTORY	1	3	3	Dec-15
Growth, Planning & Housing	Adult Education Service	Green	SATISFACTORY	1	6	5	Dec-15
City Management & Communities	Parking – IT Application Audit	Green	SATISFACTORY	1	4	1	Dec-15
City Management & Communities	Freedom Passes	Green	SATISFACTORY	0	2	4	Feb-16

Additional Information on Audits**1. Freedom Passes (Main Report – Paragraph 5.1)**

The Disabled Persons Freedom Pass allows the pass holder free travel across London and free local bus journeys nationally. In order to be eligible for a Disabled Persons Freedom Pass the pass holder must have their sole or principal residence in London and have any of the seven grounds detailed on the People First website (run in association with the Adult Social Care Teams of WCC, RBKC and the London Borough of Hammersmith and Fulham). The seven grounds are where applicants:

- cannot use both arms;
- have a condition that prevents them from driving, such as epilepsy;
- are profoundly or severely deaf;
- have a speech impairment, which means they cannot make clear oral requests, or ask specific questions to clarify instructions;
- are blind or partially sighted;
- have a disability, which has a substantial and long-term adverse effect on their ability to walk;
- have a learning disability.

Councils can also issue discretionary Disabled Persons Freedom Passes to disabled people who do not meet the statutory eligibility criteria.

The Royal Borough of Kensington and Chelsea (RBKC) were appointed to administer the Disabled Persons Freedom Passes Scheme on behalf of Westminster City Council in May 2014. The Customer Access Team undertakes the verification process for new applications and also for renewals for passes already issued.

Passes are issued for free, however there is a cost of £10 if the pass is lost or damaged. Transport for London (TfL) pay for part of the cost of the Disabled Persons Freedom Passes with Councils paying a contribution towards the cost.

The RBKC Customer Access Team has been working with the Business Intelligence Pilot Programme in order to identify instances where Disabled Persons Freedom Pass holders have passed away, moved out of Westminster, have second homes and where their main home is not in Westminster, and where duplicate passes are in existence. This has resulted in a number of passes being identified, which can be deactivated and reduce the cost to the Council.

Two medium and four low priority recommendations have been made which have been accepted by management and are due to be implemented by the end of the financial year including:

- Introducing secondary inspections made on applications to ensure that responsibility is not held by one transport officer throughout the application process;
- Undertaking a full review of prescribed policies, procedures and the application form to ensure that they are up-to-date;
- Liaison with the Corporate Information Officer, the Head of Shared Service Centre and the Head of Parking Operations to provide access to other council systems such as council tax, blue badges and taxi cards to assist with residency checks.

2. Tri-b Business Intelligence (Main Report – Paragraph 5.1)

Business intelligence (BI) is the set of techniques and tools for the transformation of raw data into meaningful and useful information for business analysis purposes. The goal of BI is to allow for the easy interpretation of these large volumes of data and BI tools are capable of handling large amounts of data from different sources to help identify, develop and create new opportunities. A data warehouse can be used to store and process large amounts of data from multiple data sets from different services in such a way that makes it easier to analyse and support effective decision making and joined up service delivery. BI technologies

APPENDIX 2

provide historical, current and predictive views of business operations, and are about using data for hindsight, insight and foresight. Organisations without BI capability often struggle to establish a comprehensive view of their business because their information is poor, fragmented across the organisation and is not easily accessible. Within a local authority setting this may result in discrete sets of information about services and residents being held leading to missed opportunities for fraud prevention, gaining insight into these services and inefficient use of resources.

The Council, the Royal Borough of Kensington and Chelsea (RBKC) and the London Borough of Hammersmith and Fulham (LBHF) agreed the business case for an 18 month BI Pilot Programme to commence in April 2014 to build upon the BI work already taking place within the three councils through centralising the existing fragmented activity by building a virtual team from existing technical and analytical staff across the three councils and by upgrading the existing data warehouse used by Westminster. The aim of the pilot was to demonstrate how the integration and interrogation of multiple data sources will substantially increase insight on services and customers whilst being a critical enabler to wider public service reform and to prove the viability of a Shared Services BI Service.

At the time of the audit, the 18 month BI Service Pilot Programme was finishing (September 2015). A Pilot Review and Options Paper was submitted to the Chief Executives of the three Councils via the Shared Services Board for consideration. The paper outlined the options for the future of the BI service along with the views of the BI Programme Board with respect to the most advantageous model for BI across the three Councils. The Council and RBKC selected the option for a BI Competency Centre (BICC) with the central BI team activity devolved to WCC and it was noted that LBHF may build their own BI capability in the future.

Six medium and three low priority recommendations were made and accepted by management with all recommendations due to be implemented by May 2016 including:

- Formal closure of the Pilot Programme by the BI Programme Board;
- As part of the close down process the future hosting arrangements and maintenance of the data warehouse should be approved by the Programme Board;
- Formal documentation of the governance arrangements, including identifying the roles and responsibilities of those responsible for the delivery and management of the service and those charged with strategic review and scrutiny, of the BI service;
- Documenting and approval of an agreed project management methodology including the internal review processes and expected documentation for future projects;
- Ensuring that for continuing and future projects costs at individual project level is monitored on a regular basis and reported to those responsible for monitoring the outcomes of the service.

Performance Indicators – 2015/16

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

Performance Indicators	Target	Actual	Comments
Delivery			
Percentage of audit jobs completed by 31 December 2015 (full year 85%)	52%	45%	Some audits pushed back to Q4
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	85%	Slightly under target but improving into Q4
Percentage of audits finalised within 10 days of a satisfactory response	95%	100%	
Quality			
External audit conclude they can place reliance on Internal Audit work (annual)	Yes	Yes	
Percentage of jobs with positive feedback from client satisfaction surveys	90%	100%	13 received all scoring 4 or above (where 1 = very poor and 5 = excellent)
Percentage of high and medium priority recommendations accepted by management	95%	100%	
Percentage of high and medium priority recommendations implemented by management	95%	97%	

Assurance Levels

Assurance given, taking into account the system weakness identified, that the system can meet its service objectives:

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.