



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	9 February 2017
Classification:	For General Release
Title:	Internal Audit 2016/17 – Progress Report (October to December 2016)
Wards Affected:	All
Financial Summary:	The Council's budget
Report of:	Steven Mair, City Treasurer (Section 151 Officer)
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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 and no limited or no assurance audits were issued.
- 1.2 The follow up review completed in the period confirmed that the implementation of recommendations has been 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** - 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

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 with all nine audits finalised in the period, received satisfactory assurance.

5. Audit Outcomes (October to December 2016)

5.1 Since the last report to Members nine audits have been completed, none of which did identified any key areas of concern:

Audit	Assurance	RAG
ASC – Departmental Governance*	Satisfactory	Green
ASC – Quality Assurance & Compliance*	Satisfactory	Green
CHS – Departmental Performance Management*	Satisfactory	Green
CHS – Children & Families Act Implementation*	Satisfactory	Green
CHS – Unaccompanied Asylum Seeking Children*	Satisfactory	Green
CHS – Hallfield Primary School	Satisfactory	Green
GPH – Property Database*	Satisfactory	Green

Audit	Assurance	RAG
CMC – Parking Income*	Satisfactory	Green
CS – Highways Infrastructure Accounting	n/a	n/a

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

5.2 Implementation of Audit Recommendations

Two follow-up reviews were undertaken in the period (October to December 2016):

Audit	No of Recs Made	No of Recs Implemented	No of Recs In Progress	No of Recs not yet actioned
City Management – IT Audit – Parking System	6	6	0	0
CS - Insurance	4	4	0	0
Total	10	10	0	0

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 - 2016/17

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 – Transition, Young People to Adults (Cfwd from 2015/16)	Green	SATISFACTORY	0	5	1	Sep-16
Adult Social Care	Tri-b – Walkthrough (referrals) (Cfwd from 2015/16)	Green	SATISFACTORY	0	2	2	Sep-16
Adult Social Care	Tri-b – Continuing Healthcare Funding (Cfwd from 2015/16)	Green	SATISFACTORY	0	6	0	Nov-16
Adult Social Care	Tri-b – Departmental Governance (Cfwd from 2015/16)	Green	SATISFACTORY	0	2	2	Feb-17
Adult Social Care	Tri-b – Quality Assurance & Compliance	Green	SATISFACTORY	1	5	0	Feb-17
Children's Services	Tri-b – Schools Health & Safety (cfwd from 2015/16)	Amber	LIMITED	4	3	1	Sep-16
Children's Services	Tri-b – Departmental Performance Management (Cfwd from 2015/16)	Green	SATISFACTORY	0	3	2	Feb-17
Children's Services	Tri-b - Procurement of Residential Placements	Green	SATISFACTORY	3	0	5	Nov-16
Children's Services	Disabled Services Direct Payments	Red	NO	8	5	0	Nov-16
Children's Services	Tri-b – Children & Families Act Implementation	Green	SATISFACTORY	0	2	6	Feb-17
Children's Services	Tri-b – Unaccompanied Asylum Seeking Children	Green	SATISFACTORY	0	5	0	Feb-17
Corporate Services	Tri-b – Legal Services, Governance (cfwd from 2015/16)	Green	SUBSTANTIAL	0	0	1	Sep-16
Corporate Services	Tri-b – Managed Services Interfaces (Cfwd from 2015/16)	Green	SATISFACTORY	0	4	1	Sep-16
Corporate Services	Governance Review (Cfwd from 2015/16)	Green	SATISFACTORY	0	1	3	Sep-16

Audits Completed Year to Date - 2016/17

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	Procurement - Governance	Green	SATISFACTORY	0	3	0	Sep-16
Corporate Services	Tri-b – Internet Monitoring/ Use of Social Media (cfwd from 2015/16)	Amber	LIMITED	1	3	0	Sep-16
City Treasurer & City Management	Highways Infrastructure Accounting	n/a	N/A	0	3	0	Feb-17
Growth, Property & Housing	Property Investment Portfolio (cfwd from 2015/16)	Green	SATISFACTORY	0	2	1	Sep-16
Growth, Property & Housing	Tavistock Co-op (TMO)	Amber	LIMITED	5	15	3	Sep-16
Growth, Property & Housing	Torridon Co-op (TMO)	Amber	LIMITED	6	12	0	Sep-16
Growth, Property & Housing	Right to Buy	Green	SATISFACTORY	1	4	3	Nov-16
Growth, Property & Housing	Property Database Techforge	Green	SATISFACTORY	0	5	2	Feb-17
Public Health	Tri-b – Substance Misuse Contract Management (cfwd from 2015/16)	Green	SATISFACTORY	0	2	1	Sep-16
Public Health	Tri-b – Sexual Health Contract Management (cfwd from 2015/16)	Green	SATISFACTORY	0	1	3	Sep-16
Public Health	Tri-b – School Nurse Contract Management (Cfwd 2015/16)	Amber	LIMITED	1	5	1	Sep-16
Public Health	Tri-b – Contract Management (Cardiovascular Disease)	Green	SATISFACTORY	2	3	1	Nov-16
City Management & Communities	Parking – People & Resources Contract Management	Green	SATISFACTORY	0	3	2	Sep-16
City Management & Communities	Waste Collection, Recycling & Street Cleansing Contract Management	Green	SUBSTANTIAL	0	1	1	Sep-16

Audits Completed Year to Date - 2016/17

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	Commercial Waste	Green	SATISFACTORY	2	1	1	Sep-16
City Management & Communities	Parking Income	Green	SATISFACTORY	0	2	0	Feb-17
Schools	Barrow Hill Primary School	Green	SUBSTANTIAL	0	2	1	Sep-16
Schools	St Luke's Primary School	Green	SATISFACTORY	0	3	5	Sep-16
Schools	Christchurch Bentinck Primary School	Green	SUBSTANTIAL	0	2	2	Nov-16
Schools	Essendine Primary School	Green	SATISFACTORY	0	3	6	Nov-16
Schools	Hampden Gurney Primary School	Green	SATISFACTORY	0	5	4	Nov-16
Schools	St Augustine's Primary School	Green	SATISFACTORY	1	2	3	Nov-16
Schools	St Augustine's High School	Green	SATISFACTORY	0	5	4	Nov-16
Schools	Hallfield Primary School	Green	SATISFACTORY	0	3	3	Feb-17

Additional Information on Audits (Main report – Paragraph 5.1)

Adult Social Care:

1. Tri-b – Departmental Governance

The shared Adult Social Care (ASC) service for the three boroughs is committed to enabling more people to stay independent for longer enjoying as much choice and control over their care as they wish. The social care mandates of each borough set out the local priorities and approach for each borough. Whilst there are some different local emphasises the overall outcomes across all three boroughs are similar.

Adult Social Care continues to go through an extended period of large scale change, due in part to significant external changes in the NHS. The Adult Social Care leadership team has set out an ambitious portfolio of change programmes concentrating on aligning the three boroughs' ASC services in order to provide better customer experience, value for money and compliance with the Care Act. Further integration with health is considered key to the effective future delivery of social care services with the ambition to offer integrated community health and social care services. This is expected to bring significant benefits to residents and ensure that the right services are offered, at the right time, delivering the best outcomes for people, while achieving greater value for money.

The audit identified that governance arrangements in ASC were generally satisfactory with four recommendations made to improve weaknesses identified including:

- Updating the hierarchy map of the governance structure to include the Performance Board and Quality Assurance Board (QAB).
- The terms of reference for the QAB formed in February 2015 state that the Board aims to meet five times per year. The initial meeting was held in February 2015, but no subsequent meetings had been held;
- The Performance Board meet on a monthly basis. The Performance Board discuss key performance issues affecting ASC and review performance data as a measure of ensuring a high level of ongoing performance. Minutes are not taken at Performance Board meetings with areas of importance are informally noted and provided to attendees although no evidence of agreed actions was provided.

2. Tri-b – Quality Assurance & Compliance

There is increasing scrutiny on the quality of social care provided by public sector organisations as a result of recent examples of poor quality service delivery. Adding to this, the recent restructure of the adult social care departments within the tri-borough has led to a greater need for improved arrangements for quality assurance in adult social care across the boroughs. Quality in adult social care for the three boroughs has been defined through the use of guidance from Think Local Act Personal, a customer led national organisation. This has been defined as putting the customer at the centre of the process by providing:

- A positive care experience by meeting personal aspirations;
- An effective service which focusses on choice and control; and
- Safe services.

The Head of Quality Assurance and Lead Professional has been tasked with the responsibility of implementing effective quality assurance within adult social care across the three boroughs.

The audit identified a few areas for improvement which are summarised below:

- A draft Quality Assurance Framework for the tri borough has been produced, which documents the Council's definition of quality and how this is to be measured. However, this has yet to be finalised and approved by the Adult Leadership Team (ALT) and has therefore not been communicated to staff;

- Procedures for staff are documented in the Standard Operating Procedures and roles are broadly defined in staff Job Descriptions; however, it was confirmed that the roles and responsibilities for each role within the service have not been formally documented to help to ensure that quality is delivered by all staff;
- The tri borough definition of quality focusses on putting the customer at the centre of the process; however, a review of the satisfaction survey identified that this is generic and does not provide detailed information on what specific areas of the service provision customers believe are required to be improved in order to increase the quality of service;
- Conclusions are drawn from individual pieces of quality assurance work and are reported to the Quality Assurance Board (QAB) for review. However, an annual quality assurance statement is not produced;
- The team is currently reviewing the core training programme to incorporate mandatory training for new starters and mandatory refresher training. Furthermore, the team are currently creating a training matrix which maps out training modules that should be completed for various staff roles. A link will then be created between the two to decide which modules are mandatory and which are not for each of the roles. Once this has been completed, managers need to monitor staff compliance as this is not a functionality that the system currently allows;
- The quality of partnerships and contracts is not reported to the Quality Assurance Board for review and therefore the Board currently does not have oversight of this. Although, the quality of partnerships and contracts is monitored elsewhere through a variety of mechanisms; due to the significant amount of activity being outsourced, it is recommended that a standing agenda item should be added to the QAB to have oversight of this.

Children's Services:

3. Tri-b – Departmental Performance Management

The majority of Family Services continue to be delivered locally in each borough. This includes services for targeted early help, looked after children, children with disabilities, child protection and safeguarding of individual children. Fostering and Adoption and the Youth Offending Service operate on a three borough basis to share expertise and costs. The Local Safeguarding Children Board operates across all three boroughs to help ensure the co-ordination and effectiveness of all safeguarding and child protection work across the authorities.

The Children's Commissioning directorate is responsible for the design, commissioning, procurement and monitoring of services required to meet the identified needs of children, young people and families in all three boroughs. Teams include Early Intervention, Specialist Intervention, Business Development and Policy. A joint working arrangement with the Clinical Commissioning Groups ensures the Joint Health Commissioning team, based at Marylebone Road, can coordinate services with key health partners.

The audit noted the following areas of weaknesses, which have been accepted by management, are being addressed:

- A Tri-borough Children's Services Business Plan had not been finalised because the work of the department was increasingly informed and driven by the separate priorities and deliverables set by the three individual local authorities. There was also no ongoing requirement to produce a Children and Young People's Plan. However, the service agreed to produce high level departmental objectives for agreement by the Senior Leadership Team to provide a clearer strategic context to inform performance management and other strategies;
- Annual Complaints Reports are prepared for Children's Social Care for each Borough. The most recent annual reports available at the time of the audit were for 2014/15 and were still in draft. As a result of significant staffing changes and instability in the service over the last 6 months, the annual complaints report is late for the year 2015/16. These staffing issues have now been addressed and the report has been drafted and approved by SLT and is scheduled to begin political approval processes this autumn (2016/17);

- A standard appraisal and personal development plan form is used across the three councils. This form includes a section that provides staff with the opportunity to declare financial and non-financial interests that may impact on their role. However, in four out of the 20 cases sampled, no evidence was available that staff had declared financial and non-financial interests. The different reasons for this were:
 - Section for declaring interests had not been completed on the appraisal form and
 - No appraisal form was prepared meaning a declaration was not made.

All line managers have been reminded of their responsibilities in relation to annual appraisals and personal development plans and these are in progress for 2016/17. Reminder to be sent to all staff of need to complete the “declaring interests” section of the appraisal form. To be tied in to reminders regarding mid-year reviews

4. Tri-b – Children & Families Act Implementation

The Children and Families Act 2014 (the Act) covers adoption and contact, family justice, children and young people with Special Educational Needs (SEN), child care and child welfare. Parts 1 to 3 cover the work of children’s services, with particularly wide-reaching reforms to the existing SEN legislation set out in Part 3. This audit reviewed the arrangements in place for ensuring that the requirements of the Act were effectively implemented.

The ‘Children and Families Act Executive Board’, chaired by the Executive Director for Children Services was created and originally met monthly to ensure that the Programme and associated Projects remained on track and were adequately and appropriately resourced. These meetings were subsequently called quarterly although reports continue to be completed monthly. The Executive Board was tasked with providing a working framework and setting out a forward plan that ensured adoption of the Act by all three councils in a timely and controlled manner. A Programme Manager has been engaged to implement part three of the Act with a number of Project Managers responsible for ensuring that the various components necessary to successfully implement the Act are being included within the stated deadlines. The programme is known as the Core Programme and has four main tranches each containing several separate projects.

The programme for implementing the changes required to comply with the Children and Families Act was considered to be managed well with two medium and six priority recommendations made to improve controls, including:

- Improvements to the process for recording changes to individual projects; and
- Ensuring that the Joint Strategic Needs Assessment document is completed within an agreed timescale with appropriate processes in place to accommodate inspections from the Care Quality Commission and/or Ofsted.

The recommendations have been accepted and are being implemented by management.

5. Tri-b – Unaccompanied Asylum Seeking Children (UASC)

The Royal Borough of Kensington and Chelsea (RBKC), London Borough of Hammersmith and Fulham (LBHF) and City of Westminster (WCC) work closely in the delivery of a number of “shared services” including Children Services. Family and Children Services manage the support for the UASC cohort and, although within Children Services, these are specifically excluded from the shared services arrangements and remain sovereign council based services.

The number UASC in the UK is rising annually. Each of the three boroughs are part of the Pan London rota scheme administered by the Home Office whereby UASC are allocated on rotation to London Boroughs when a child presents themselves to or are identified by the authorities within an individual Borough rather than at the normal entry points to the UK. Those children presenting but not fitting the appropriate criteria however are passed to the Immigration Authority based in Croydon for national distribution. During the audit

the Government implemented a National Dispersal Scheme for UASC's. Those Local Authorities who are over the threshold of 0.07% of UASC's compared with the borough's child population, will no longer need to accept UASC from the Pan London rota scheme. This is to align the national and London protocols for the dispersal of UASCs. WCC currently stands at 0.09% therefore is not required to accept any additional referrals at this time.

Under the Equality Act 2010 UASC should be treated and assessed in the same way as a British child who have been taken into care. UASC are not eligible for any Government funded Benefits however, councils can make an application to the Home Office for funding in respect of their costs of supporting UASC at the daily rate of £95 for Under 16 and £71 for 16/17's although these rates are subject to certain conditions. Care Leavers, those over 18 years old, are supported at a rate of £150 per week. In order to qualify for Home Office funding for Care Leavers, a Council must have supported more than 25 full time equivalent (FTE) eligible Care Leavers in a given financial year.

WCC currently support 30 UASC and 47 Care Leavers. The majority of the UASC and Care Leavers are placed in semi-independent accommodation. In 2015/2016 Westminster spent approximately £740,000 on UASC with £690,000 offset by Home Office funding. Approximately £430,000 was spent on Care Leavers with no funding received from Home Office as they had not supported more than 25 FTE eligible Care Leavers in the financial year.

Recommendations were made to address the following weaknesses which have been accepted by management:

- The WCC handbook 'Preparation for Leaving Care', which includes a section relating to UASC and Care Leavers, needs to be updated. The service is aware of this and is currently reviewing all procedures to ensure that they are standardised and current;
- The WCC procedures require single assessments to be completed for all referrals. Age Assessments should also be completed within 15 working days of the young person being supported by the service to ensure any provision a child requires is appropriate to their age and assessed needs. Audit testing identified some cases where the assessments did not appear to have been completed in accordance with the specified timescales. Although there were valid reasons for some of these exceptions, the reasons for not achieving the deadline or varying the provision had not been fully documented and evidenced;
- As part of the LAC process the service is required to undertake a number of assessments and reviews. Each UASC and Care Leaver must have;
 - A Care Plan
 - LAC Reviews (up to 18)
 - A Personal Education Plan (PEP) if in education and
 - A Pathway Plan just before they turn 16.

All plans / reviews must be undertaken a certain amount of times per year, within a set timescale and be signed off by the Independent Reviewing Officer (IRO) or Management within the service. Audit testing identified some cases where not all of the expected documentation or evidence of reviews was available. The service is undertaking a quality review of all case files to ensure that all data held is complete and accurate.

- As part of the registration process it is imperative that the UASC and Care Leavers are registered on the Children's Services case management system (FWi) correctly. This will allow the allocated worker to provide support and assistance to meet the child's needs as well as allow the service to monitor and provide analysis of its cohorts. Should the status change the allocated worker must ensure the relevant service areas are aware and FWi is updated. Audit testing identified a number of cases where no immigration status had been recorded and some where the legal status was entered however there were variations in wording for the same status. At present the Legal status options are limited on FWi but the service is looking at options to improve this;
- Age and Human Rights interviews and assessments need to be undertaken in line with Home Office requirements and as such can be complex with the interviewer requiring an appropriate level of knowledge and experience before undertaking assessments. There is no statutory obligation for staff to undertake accredited training when completing an Age assessment although they must be a qualified Social Worker who are adequately trained and experienced in assessing a child's age.

Audit testing identified that some staff had not been trained on Age or Human Rights Assessments and others had not undertaken training since 2013. Due to the infrequency that an assessment may take place, staff may lack the necessary experience and knowledge to undertake these assessments. The service is planning a programme of training in relation to Age & Human Rights Assessments across the three councils and expect to have access to an Advanced Age Assessment training which is being established by the London Asylum Seekers Consortium (LASC).

Growth, Planning & Housing:

6. Property Database - Techforge

Corporate Property is responsible for the provision of an integrated property asset management service to meet the future needs of the Council. The operational portfolio consists of approximately 400 properties and the investment portfolio consists of approximately 380 assets, and there are also substations, wayleaves and parks. A system called Techforge has been implemented to act as the Council's centralised property asset data management system, to assist in the management of the Council's property portfolio and to enable the council to meet the requirements set out in the Local Government Transparency Code 2015.

Corporate Property has undertaken a lot of work to collate and refine the information held by the Corporate Finance team, the managing agent of the investment portfolio and Corporate Property records in order to produce a definitive and accurate record of the Council's properties for input into Techforge. The cleansing of this data resulted in delays to the implementation of Techforge which went live and became operational in December 2015.

Recommendations were made to improve controls which have been accepted by management and are summarised below:

- As part of the data cleansing operation, Corporate Property have liaised with Corporate Finance, and the data held on Techforge and that held by Corporate Finance on their system (RAM) is generally considered to be aligned. Regular meetings are held with Corporate Finance to maintain alignment of data, and for each new property obtained the Property Information Manager will assign this a new Techforge code and will notify this to Corporate Finance in order to update their system (RAM). It was noted that there may be some anomalies in respect of the operational property portfolio, and additional work is required to agree Corporate Finance records of these properties to those of Corporate Property. In addition, the data held by the managing agent of the investment portfolio has been cleansed but further work was required to ensure that the naming of properties can be agreed by both parties. It was acknowledged that there may be historic differences in this area and there was a need to ensure that the data held by Corporate Property, the managing agent and Corporate Finance was consistent and correct;
- There are currently no interfaces in place between Techforge and Agresso, the managing agent's records, or the facilities management system, although there is a link between Techforge and the Geographic Information System (GIS), which is maintained by IT. Although interfaces were considered at the time of tendering for the various lots under the Managed Services contract, there were concerns about the accuracy of property records at the time and these were not progressed. An interface with Agresso was originally considered so that monthly costs on each building could be obtained. Further work would need to be undertaken to define the current business need for this information and how an interface between Agresso and Techforge could work now that both systems are operational, and it was suggested that this be reviewed in 6 months;
- It was noted that the former Project Manager for the implementation of Techforge still had unrestricted administrator rights which needed to be removed and, if necessary reallocated to the Head of Operational Property;
- There is a reporting module on Techforge however the functionality does not currently meet the requirements of Corporate Property. This gap in expectations is being addressed with the developers of Techforge by the Head of Operational Property;

- Techforge is hosted service and is accessed by the Council over a citrix server. The Technology Forge has documented IT disaster recovery plans for hosted solutions in place, which have been made available to the Council although clarification questions raised by the Project Manager do not appear to have been addressed by Techforge.

City Management & Communities:

7. Parking Income

A new system was implemented which went live in November 2014 as part of the four-year service contract for parking services. The Council awarded NSL two separate four-year contracts covering the provision of parking staff and parking technology. Under the People and Resources contract, NSL provide approximately 200 marshals who issue penalty charge notices, maintain traffic flow within Westminster streets and assist drivers in locating vacant parking spaces. Under the Business Processing and Technology contract, NSL provide back office processing and administration services relating to PCNs, parking payment systems and the Councils parking system Si-Dem. NSL previously provided the on street traffic enforcement officers but under the new contract it took over from Serco to deliver the back office processing and administration contract. As part of the contract, a number of sub-contractors including RingGo, Spur and IBM provide specific services including payment by phone.

The audit reviewed the processes in place for accounting for parking income and two medium priority recommendations were made to address the following control weaknesses:

- From the testing it was noted that in some cases the on-street notes facility on Si-dem was not complete which meant a complete audit trail of decisions and/or actions taken with respect to voiding on street PCNs and cancelling PCNs before issue was not clear. The Marshals will be reminded of this requirement and an “audit” will be set up where a sample of voided/PCNs are investigated each month by Council Officers to ensure that the policy is being adhered to. Any failings will be highlighted to NSL and managed through contract default mechanisms if necessary;
- On a weekly basis reports on unallocated income in Agresso are sent by the Finance Department to the Commercial Officer, Parking who then reviews the unallocated items to identify parking related items for allocation to the relevant revenue code in Agresso. The Finance Auditor at NSL will also review this report to identify unallocated parking income. The majority of unallocated parking income relates to suspensions, BACS income and some PCN income. The Commercial Officer, Parking advised that initially BT had improved on identifying for themselves where parking income should be allocated, this had however, now deteriorated and provided examples where BT have been told several times how to allocate specific types of income. The Parking team have raised this with the Finance Department and it was recommended that a formal process be put in place by the Commercial Officer and all escalations sent to the Head of Parking Service

The recommendations have been accepted by management.

City Treasurer & City Management:

8. Highways Infrastructure Accounting

The Council has a legal duty to prepare its financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (the Code). It was announced that for the 2016/17 financial year, the Code requires the Council to measure highways infrastructure assets at Depreciated Replacement Cost (DRC) compared to the current requirement for measuring these assets at Depreciated Historic Cost (DHC). The Code also requires the Council to establish a separate asset class, the highways network asset. Whilst the amendment to the code represented a change in accounting policy from 1 April 2016*, CIPFA agreed that there was no requirement to restate the preceding year information (including opening balances for 1 April 2015), or to restate the opening balance as 1 April 2016. The change will instead be accounted for as an adjustment to opening balances as at 1 April 2016. The responsibility for preparing for and implementing the accounting changes rests with two departments – Highways and Finance.

APPENDIX 2

The Council's highways assets are managed by the Highways department. Traffic Management assets (for example, traffic lights and cameras) are managed by Transport for London and therefore the Council is not responsible for these assets and does not need to include these within the valuation. At the time of this audit, good progress had been made by the Council to ensure that they would be in a position to comply with the requirements of the CIPFA Code of Practice, however three high and two medium priority recommendations were made which needed to be addressed for the Council to be fully compliant for the 2016/17 financial year. As a result, a limited assurance opinion was given to this audit when the final report was issued in October.

*Just after the audit report was issued (October) CIPFA advised that it had decided to postpone the full implementation of the move to measuring the Highways Network Asset at Depreciated Replacement Cost (DRC) in local authority financial statements. CIPFA recognised the commitment and work of local authorities in preparing for implementation and they had a strong level of confidence in the amount of work local authorities have done on improving highways inventory data. However, they noted that the key, final part of implementation is the provision of central Gross Replacement Cost (GRC) rates. The current rates were originally developed at the start of the project and are now over five years old. For the last eighteen months CIPFA has been working with the relevant stakeholders, including the Department for Transport, to ensure that the review of the central rates for the measurement of the Highways Network Asset would be ready for the 2016/17 implementation date. However, it had become clear that they would not be ready in time for the 2016/17 financial statements. As a result, CIPFA took the decision to defer implementation for the 2016/17 financial year and will review this position at its meeting in March 2017 with a view to implementation in 2017/18. The delay in implementing the CIPFA code diminished the urgency of the implementation of the recommendations made in the audit. As such, the audit is no longer considered to be a limited assurance review although the recommendations will be followed up to ensure that good progress is being made for implementation when required.

Performance Indicators 2016/17

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%	77%	70%	Slightly under target but on course to achieve overall target.
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	90%	
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%	22 received YTD, average score of 4.1 (positive score).
Percentage of High & Medium priority recommendations implemented or in progress	95%	97%	75 out of 78 recommendations reviewed