Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	9 May 2017
Classification:	For General Release
Title:	Internal Audit 2016/17 – Progress Report (January to March 2017)
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. Five limited assurance reports have been issued:
- Three Tenant Management Organisations (Lilestone, Carlton Vale and Hide Tower;
- Use of Consultants;
- IT Disaster Recovery and Business Continuity.

The details of these audits are contained in paragraph 5.1.1. to5.1.3

5. Audit Outcomes (January to March 2017)

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

Audit	Assurance	RAG
ASC – Carer Assessments*	Satisfactory	Green

Audit	Assurance	RAG
ASC – Information Governance (NHS Toolkit)*	Satisfactory	Green
ASC – Supplier Resilience*	Satisfactory	Green
CHS – School Meals Contract*	Satisfactory	Green
GPH - Housing Rents*	Substantial	Green
CMC – Leisure Centres Contract Management*	Satisfactory	Green
CMC – Parking Pay by Phone (IT)*	Satisfactory	Green
City Treasurer – Budgetary Control*	Substantial	Green
City Treasurer – VAT*	Satisfactory	Green
City Treasurer – Anti-Fraud Service*	Satisfactory	Green
City Treasurer – Treasury Management*	Substantial	Green
City Treasurer – General Ledger*	Substantial	Green
CS – IT – Security Incident Management*	Satisfactory	Green
Pol & Coms – Governance*	Substantial	Green
Pol & Coms – Risk Management Compliance*	Satisfactory	Green
Schools – All Souls Primary	Substantial	Green
Schools – Burdett Coutts Primary	Satisfactory	Green
Schools – St Edward's Primary	Satisfactory	Green
Schools – St Gabriel's Primary	Satisfactory	Green

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

5.1.1 **Tenant Management Organisations (TMOs) (Amber)**

As part of the annual plan, reviews have been undertaken at seven of the Council's TMOs. The outcomes from two of these reviews (Tavistock and Torridon) were reported to the Committee in September 2016. The findings from each of the audit reviews are combined with housing management monitoring information provided by CityWest Homes and a formal 'Five Year Review' Report is issued to each of the TMOs by the Executive Director for Growth, Planning and Housing. As required by their Management Agreement, each of the TMOs has two months to consider the contents of their 'Five Year Review' and to report back to the Executive Director for Growth, Planning and Housing on their acceptance or disagreement with the recommendations made and the proposed implementation timeframes. The TMO Manager and the Resident Engagement & Opportunities Manager from CWH are expected to attend Committee meetings at the TMOs to discuss the contents of the 'Five Year Review' and to assist them to address the recommendations.

Since the last report to Committee, reviews have been completed and issued to the Executive Director for Growth, Planning & Housing for Lilestone, Carlton Vale and Hide Tower TMOs. The remaining two TMO reviews (Odhams Walk and MEMO) are expected to be issued in April/May 2017. Although each of the TMOs had appropriate processes in place in some of the areas reviewed, there were a number of areas where improvements were recommended and these are summarised below:

(a) Lilestone TMO (120 properties, Management Allowance £105,822)

- The timely notification of Committee Meetings and items for discussion was verified, however members were not sent Agendas prior to the meetings. In addition, the Management Committee has not established any sub-committees, to focus on any particular tasks such as finance and they have not nominated a dedicated Committee member to be responsible for health & safety or HR issues.;
- Utilisation of the training budget could not be verified as there is no costed training plan in place;
- The TMO's budget was not formally approved by the Management Committee and the Committee does not receive financial information reports each quarter. Reports are however sent to CWH on a quarterly basis;
- The latest Annual Accounts for the year ended 31 March 2015 were produced and provided to the Management Committee but there was no evidence that they had been approved;
- The TMO has risk assessments in place, however, these are from 2012 and the TMO has not developed any procedures for identifying, recording and managing risks. In addition, the TMO needs to develop a 3-year business plan;
- There are no current procedural documents for banking and accounting and there is no record of authorised signatories. These are being created as part of the business continuity plan that is being developed;
- The TMO Public Liability insurance is below the limit stated in the Management Agreement;
- The TMO has one "contract" for landscaping however, the market had not been tested since 2002 and there was no formal contract in place;
- No formal performance appraisal is undertaken on the TMO Manager which would assist the Committee in evaluating remuneration. In addition, no formal arrangements were in place to cover the TMO Manager's role for leave or sickness.;
- The TMO Manager requires further training on how to use specific modules of the Housing Management System (Orchard) to ensure that all appropriate information is captured on the system.

Three high, ten medium and five low priority recommendations have been made which are being considered by the TMO Board.

(b) Carlton Vale TMO (138 properties in 7 blocks, Management Allowance £132,424)

- The Code of Governance had not been updated since 2005 and, of the current Committee members, only two are signatories;
- Although there is a standing item on the Committee Agenda to declare any conflicts of interest, the TMO register of interests, which should comprise

of written declarations from members of the committee, had no written statement for the majority of current Committee Members;

- Though discussed regularly in minutes, the Committee has no formal mechanism to identify training requirements or track performance;
- The TMO has partial insurance cover, however its insurance coverage does not conform to the requirements of the Management Agreement;
- A Policies and Procedures document is being drawn up which conforms to the Management Agreement. It is intended that this document should also function as a Business Continuity Plan. However, this is incomplete with areas of additional coverage recommended at the time of the audit;
- The TMO Manager does not have a formal written contract and there are minimal formal policies and processes governing staff absence and leave. The Procedure Notes/Business Continuity Plan currently in development should provide practical guidance should long-term cover be required;
- The TMO's previous three-year Business Plan has expired and needed to be replaced;
- The TMO has no formal contracts for its regular cleaning and gardening services. Historic evidence of seeking alternative quotes was demonstrated, but none in recent years;
- The TMO does not monitor performance against formal Performance Indicators. There is regular discussion at Committee meetings, but no formal monitoring;
- Residents have a number of opportunities to provide feedback, including feedback on repairs however, the TMO does not currently carry out an Annual Satisfaction Survey.

Three high, eleven medium and eight low priority recommendations have been made which are being considered by the TMO Board.

(c) Hide Tower TMO (162 properties, Management Allowance £162,977)

- Declarations by Board Members to disclose potential conflicts of interest had not been reviewed for some years;
- A Policies & Procedures document has been created, but does not provide wide coverage of all the TMO's key functions. It was noted that the TMO manager was at the time of audit in the process of expanding sections of this document;
- The leave booked by the two members of staff hadn't been signed off by the Chair of the Board;
- This bank signatory list was not up-to-date, and includes an individual no longer on the Committee;
- There was no evidence that the petty cash expenditure had been reviewed regularly;
- The Committee review a financial breakdown annually together with the accounts. Finance is a standing item on the meeting agenda, but formal

review does not occur more frequently. The TMO does not produce a formal budget;

- One staff member's contract was available but had not been signed by a member of the Management Board and no contract could be located for the other member of staff;
- The TMO's file of approved contractors was not up-to-date;
- Not all of the Health & Safety block inspection checklists had been completed;
- The procedure for reviewing introductory tenancies was not fully complied with. Tenancy check records were generally well maintained but there were some examples where checks had not been verified by the TMO Manager.;
- The waiting list for parking spaces and sheds was informally recorded and not captured on Orchard;
- The TMO Business Plan (Jan 2014 – Mar 2017) includes a risk assessment, but there was no sign of this being reviewed;
- The TMO lacks formal Performance Indicators. There is regular discussion at Committee meetings, but no formal monitoring.

Seventeen medium and seven low priority recommendations have been made which are being considered by the TMO Board.

5.1.2 **Tri-borough Review - Use of Consultants (Amber)**

From April 2017, individuals working through their own company in the public sector will no longer be responsible for deciding whether the intermediaries legislation applies and then paying the relevant tax and National Insurance Contributions (NICs). This responsibility will instead move to the public sector employer, agency, or third party that pays the worker's intermediary. The employer, agency or third party will have to decide if the rules apply to a contract and if so, account for and pay the liabilities through the Real Time Information (RTI) system and deduct the relevant tax and NICs. At the time of the audit, the details of the legislation had not been formalised but it is clear that the increasingly stringent regulatory framework in this area will impact on the Councils' procurement and administrative systems, as well as presenting risks from non-compliance. The audit confirmed that the current arrangements would not enable the Council to easily comply with the proposed changes in tax legislation.

The principal objectives of this audit were:
- To ascertain whether appropriate systems are in place and operated to ensure that the Council's appointment of consultants satisfies the principles of efficiency, economy and effectiveness; and
- To ascertain how far the Council's current systems comply with the HMRC proposals to make local authorities responsible for the tax payments of

deemed employees, and outline the policies, procedures, administrative and financial arrangements required to ensure compliance.

The audit identified that improvements were required to the existing processes for recruiting consultants and that clear guidelines should be provided to officers to ensure that they do not engage consultants outside of the Council's agreed arrangements.
Two high and four priority recommendations have been made which have been considered and accepted by the Head of People Services in conjunction with the Procurement Team. A follow up review on the Council's processes for ensuring compliance with new requirements for IR 35 will be undertaken in the first quarter of 2017/18.

5.1.3 **IT Disaster Recovery & Business Continuity (Amber)**

The Civil Contingencies Act 2004 requires that local authorities implement robust Business Continuity arrangements to enable them to continue to provide services and communicate with relevant stakeholders during an incident. Due to the reliance that is placed on ICT for the operation of services within the Council, ICT Service Resilience and Disaster Recovery provisions are critical components of Business Continuity. ICT support is provided by an in-house team at WCC, part of the shared ICT service. In-house support is augmented by a number of external contracts covering:
- Distributed Computing and Data Centres;
- Telephony and Networking; and
- Service Desk.

Additionally, a variety of Application providers are also utilised for in house support.

The key findings from the review are summarised below:
- The major service providers are responsible for the Business Continuity & Disaster Recovery (BC&DR) for the services they provide to the Council;
- Disaster Recovery invocation and escalation responsibilities are shared between the major IT service providers and the Council;
- Emergency Action Plans are in place with specific personnel identified in weekly contingency planning arrangements;
- The Service Desk Business Continuity plan was out of date;
- Salvage & relocation procedures for IT assets within the Council office are covered by insurance;
- Users can access Council services from anywhere within the UK through a secure web based portal;
- A Business Impact Analysis (BIA) was performed for the Shared ICT Service in April 2016. However, IT BC&DR Plans were not updated with the results of the BIA;
- A Business Continuity Group has been established to facilitate Business Continuity Management across the Council and evidence provided that IT

BC&DR plans were discussed by the Group. It was also noted that BC&DR communication is provided to all staff members through the Council intranet site. However, evidence was not provided to confirm that staff members were adequately consulted during the preparation of the IT BC&DR Plans;

- Temporary arrangements are in place for services that are hosted by the service providers although temporary arrangement and facilities were not clearly defined within the current IT BC&DR Plans for services that are hosted and managed locally;
- A Corporate Business Continuity Plan Pre-exercise Guideline and Exercise Joint Instructions was developed in September 2016. However, we could not ascertain if any IT DR testing had been undertaken as part of this exercise;
- Change control processes are not in place to manage updates to the Plans and we were unable to establish any process in place to distribute the plans after update.

One high and five medium priority recommendations have been made and accepted by management. The implementation of these recommendations is due to be followed up in June/July 2017.

5.2 Implementation of Audit Recommendations

Six follow-up reviews were undertaken in the period (January to March 2017) which confirmed that 58% of high and medium priority recommendations made had been implemented with a further 31% of these recommendations in progress of being implemented:

Audit	No of Recs Made	No of Recs Implemented	No of Recs In Progress	No of Recs not yet actioned
CHS – Fostering & Adoption	6	1	2	3*
CHS – Disability Service Direct Payments	13	6	7	0
GPH – CWH – Major Works	8	6	2	0
GPH - Housing Repairs	12	5	5	2
CMC – Parking Income	2	2	0	0
FIN – Bank Reconciliations	7	7	0	0
Total	**48**	**27**	**16**	**5**
Priority of	H	M	L	H	M	L	H	M	L	H	M	L

Audit	No of Recs Made			No of Recs Implemented			No of Recs In Progress			No of Recs not yet actioned		
recommendations	21	17	10	13	9	5	6	6	4	2	2	1

*This area will be subject to audit in 2017/18 and the implementation of recommendations will be considered as part of this audit.

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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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
Adult Social Care	Tri-b – Carer Assessments	Green	SATISFACTORY	1	6	2	May-17
Adult Social Care	Tri-b – Information Governance (NHS Toolkit)	Green	SATISFACTORY	0	2	1	May-17
Adult Social Care	Tri-b – Supplier Resilience	Green	SATISFACTORY	1	4	0	May-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

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
Children's Services	Tri-b – School Meals Contract	*Green*	*SATISFACTORY*	1	3	4	May-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
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
Corporate Services	IT – Security Incident Management	*Green*	*SATISFACTORY*	0	3	0	May-17
Corporate Services	IT – Disaster Recovery & Business Continuity	*Amber*	*LIMITED*	1	5	0	May-17
Corporate Services	HR/Procurement – Use of Consultants	*Amber*	*LIMITED*	2	4	0	May-17
City Treasurer & City Management	Highways Infrastructure Accounting	*n/a*	*N/A*	0	3	0	Feb-17
City Treasurer	Budgetary Control	*Green*	*SUBSTANTIAL*	0	0	0	May-17
City Treasurer	VAT	*Green*	*SATISFACTORY*	1	4	7	May-17
City Treasurer	Tri-b – Anti-Fraud Services	*Green*	*SATISFACTORY*	0	4	0	May-17
City Treasurer	Treasury Management	*Green*	*SUBSTANTIAL*	0	0	1	May-17

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 Treasurer	General Ledger	*Green*	*SUBSTANTIAL*	0	0	0	May-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	Lilestone TMO	*Amber*	*LIMITED*	3	10	5	May-17
Growth, Property & Housing	Carlton Vale TMO	*Amber*	*LIMITED*	3	11	8	May-17
Growth, Property & Housing	Hide Tower T<O	*Amber*	*LIMITED*	0	17	7	May-17
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
Growth, Property & Housing	Housing Rents	*Green*	*SUBSTANTIAL*	0	0	1	May-17
Policy & Communications	Governance	*Green*	*SUBSTANTIAL*	0	0	1	May-17
Policy & Communications	Risk Management - Compliance	*Green*	*SATISFACTORY*	0	2	1	May-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

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
Public Health	Tri-b – School Nurse Contract Management (Cfwd 2015/16)	*Amber*	*LIMITED*	1	5	1	Sep-16
Public Health	Tri-b - Governance	*Green*	*SATISFACTORY*	1	3	1	Sep-16
Public Health	Tri-b – Business Planning	*Green*	*SATISFACTORY*	1	3	0	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
City Management & Communities	Commercial Waste	*Green*	*SATISFACTORY*	2	1	1	Sep-16
City Management & Communities	Parking Income (cfwd from 2015/16)	*Green*	*SATISFACTORY*	0	2	0	Feb-17
City Management & Communities	Leisure Centres – Contract Management	*Green*	*SATISFACTORY*	0	4	4	May-17
City Management & Communities	Parking – Pay by Phone (IT)	*Green*	*SATISFACTORY*	0	3	0	May-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

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
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
Schools	All Souls Primary School	*Green*	*SUBSTANTIAL*	0	2	4	May-17
Schools	Burdett Coutts Primary School	*Green*	*SATISFACTORY*	0	5	5	May-17
Schools	St Edward's Primary School	*Green*	*SATISFACTORY*	1	4	4	May-17
Schools	St Gabriel's Primary School	*Green*	*SATISFACTORY*	0	1	4	May-17

Additional Information on Audits (Main report – Paragraph 5.1)

Adult Social Care:

1. **Tri-b – Carer Assessments**
    Under the Care Act 2014, local authorities have a legal duty to assess any carer who requests or who appears to need support. In order to fulfil this duty, local authorities are required to have a robust process in place to identify carers within their community and undertake assessment of their needs. A carer's assessment looks at the different ways caring affects the carers' lives, and works out how the carers can carry on doing the things that are important to them and their family. It covers their caring role, their feelings about caring, their physical, mental and emotional health, and how caring affects their work, leisure, education, wider family and relationships.

    Following the assessment, a decision is made as to whether the carer's needs are eligible for support in accordance with the national eligibility criteria. Where the carer is eligible, a care plan is developed covering the carer's needs and support or services to be provided. Where the carer is not eligible, information and advice will be provided. The carers who meet the eligibility may receive a personal budget (carer's direct payment) or services directly provided to them. The amount and the extent of service the carers receive will depend on the individual's circumstances and the score against set criteria. The support provided covers a 12-month period and the carers' needs are re- assessed annually.

    Carer assessments are recorded on the Council's case management system (Frameworki) which has eligibility outcomes that mirror the national criteria defined in the Care Act. Carers have an option for self-assessment with the details documented on the self-assessment form. The assessor will analyse the information on the form to carry out the assessment and conclude whether the carer has eligible needs. The self-assessment form and the actual assessment are uploaded onto Frameworki.

    The assessment form has been consolidated to include the assessment, support plan and personal budget. Managers have the responsibility to evaluate whether the individual carer's desired outcomes captured on the assessment forms will be met through the support plan drafted. However, senior staff can mark the assessment form complete without seeking a manager's approval if a carer's personal budget (CPB) assessment is not required. This function is however not restricted to the more experienced workers through the user set up on Frameworki.

    Frameworki has an inbuilt resource allocation system (RAS) which determines the maximum amount of money available for the CPB based on the eligible assessed needs. It was noted that there is a lack of consistency across the three boroughs and therefore carers with similar needs may not always receive similar CPB amounts. It was not clear if the CPB amounts had been reviewed since they were initially set up.

    A sample of assessments reviewed identified that not all of the forms were fully complete and, in some cases, the standard assessment form had not been used. It was also noted that the breakdown of what the personal budget should be used for was not always recorded.

    Templates have been drafted for the communication with carers on the results of the assessment and annual review. Testing identified that the method of communication was not consistent and in some cases did not include the carer's right to use the appeals process.

    ASC operating procedures require that, where a personal budget is agreed, the carer should sign a Personal Budget Agreement. The agreement is a formal contract which sets out the rules on the use and management of a personal budget and explains to the individual their responsibility and the Council's responsibility. However, a Personal Budget Agreement has not been drawn up for carers and carers are not currently asked to sign up to terms and conditions of their CPB.

CPB records are linked between Frameworki and Agresso through the supplier ID number. Any carers with incomplete payment information are automatically picked up by the system and these are followed up with the care workers. An examination identified long outstanding CPB payments (73 for the three Councils) which had not been escalated to the team leaders for corrective action to obtain accurate and complete payment details.

One high, six medium and two low priority recommendations have been made to address the weaknesses identified, which have been accepted by management.

2. **Tri-b – Information Governance (NHS Toolkit)**
Information Governance (IG) is the way organisations 'process' or handle information. It covers personal information, i.e. that relating to patients/service users and employees, and corporate information such as financial and accounting records. The Information Governance Toolkit (ITG) is a Department of Health (DH) Policy delivery vehicle that the Health and Social Care Information Centre (HSCIC) is commissioned to develop and maintain. It draws together the legal rules and central guidance set out by DH policy and presents them in in a single standard as a set of information governance requirements. The organisations in scope of this are required to carry out self-assessments of their compliance against the IG requirements. The purpose of the assessment is to enable organisations to measure their compliance against the law and central guidance and to see whether information is handled correctly and protected from unauthorised access, loss, damage and destruction. The ultimate aim is to demonstrate that the organisation can be trusted to maintain the confidentiality and security of personal information. This in-turn increases public confidence that 'the NHS' and its partners can be trusted with personal data.

The audit examined the evidence maintained to demonstrate compliance with a sample of 11 of the 28 requirements relevant to the Children's, Public Health and Adult's Social Care service areas in each of the three boroughs. The IGT requirement initiatives examined as part of this audit relate to the following control areas:
- Information Governance Management (13-145, 13-148);
- Confidentiality and Data Protection Assurance (13-251,13-255);
- Information security Assurance (13-371,13-373,13-376,13-379,13-381,13-383); and
- Clinical Information Assurance (13-444).

Based on the evidence available at the time of the audit, we were able to agree the score recorded as a reasonable assessment of current performance for all four of the standards that form part of the 2015/16 NHS HSCIC Information Governance reporting requirements. Two medium and one low priority recommendations were made which have been accepted by management.

3. **Tri-b – Supplier Resilience**

Local authorities are increasingly relying on third parties to deliver core services. Although the delivery mechanism for these services may be outsourced, responsibility and accountability for the delivery of service and its quality remains with the local authority. The current economic climate of increasingly reduced budgets will have significant implications across the entire supply chain. Local authorities must prepare for business critical supplier failure by identifying operational and strategic interdependencies and areas of reliance between parties, with contingency plans in place to help minimise disruption in the event of supplier failure. The Care Act 2014 requires that, if providers become unable to continue to deliver care to people because of business failure, Local Authorities must 'step in' and make arrangements for anyone affected so that their needs carry on being met. This includes all people using social care services, not just those whose care the Local Authority is paying for. It is therefore imperative that contingency plans are in place should the Local Authority have a duty to step in.

The Care Quality Commission (CQC) developed the statutory Market Oversight Scheme which is designed to give Local Authorities earlier warning of potential failure so they can prepare to implement contingency plans, should their legal duty to step in become necessary. The scheme gives the CQC formal powers to

regularly assess the business health of 'difficult to replace' providers, so they can plan and prepare for possible changes. This gives Local Authorities the best chance of protecting people who use services who may be placed in a vulnerable position by potential closures.

A number of the issues identified in this audit appear to be caused by significant changes in staff and with new contract leads being unable to locate documentary evidence requested. This appears to be an administrative issue rather than a fundamental weakness in the procurement and risk management process; however, we were unable to gain confirmation that this was the case. Management have confirmed that plans are in place to address the document retention and retrieval issues identified in this review.

An overall risk register is in place for all home care. This highlights risks, issues, impact and mitigating actions. However, the risk register does not include the likelihood of the risk materialising. The risk register for homecare provides some assurance, but risk assessments are not completed for each supplier to identify any risks of supplier failure specific to individual suppliers and develop a proportionate response.

Where a concern is raised by CQC, this is discussed within project board meetings and action is taken to make sure that the issues do not materialise and the public are protected. An overall contingency plan is in the process of being developed and will be adapted to each supplier. A briefing paper has been prepared for the ASC leadership team providing a summary of the current position with regards to possible home care supplier failure / withdrawal, together with an options appraisal and recommendations to mitigate against potential provider failure and provide an underpinning solution for the contractual framework and service.

The CQC market oversight guide is followed. The guide highlights what the CQC do and how communications should take place between providers, the Council and CQC. The Contract Lead for each supplier will meet with the supplier on a periodic basis to discuss performance and any other issues. The ASC Provider Failure Protocol states 'as part of our business as usual arrangements, the authority will be working with our current providers on a regular basis, through a planned programme of monitoring, site visits and performance returns.' We were unable to confirm that a formal programme is in place. Site visits are completed on an ad-hoc basis and there is no formal risk based approach to site visits.

On a monthly basis the Procurement Consultant will run a credit rating tracking list on all Council suppliers. This is then sent to the contract leads to highlight any suppliers who are of high risk or have deteriorating credit rating. Where issues are identified, the contract leads will investigate the reasoning behind this and any actions in place to ensure supplier continuity.

The Safeguarding Information Panel meet on a monthly basis to discuss ASC suppliers and any areas of risk or weakness and any safeguarding issues. We were able to confirm that meetings were taking place and safeguarding issues at different suppliers were discussed. The Project Board meets on a monthly basis and discusses any supplier issues or any risks of supplier failure. The Board discusses the budget, performance and mobilisation arrangements. Contract Leads report issues to their line managers, who are members of the Project Board.

One high and four medium priority recommendations were made to address weaknesses identified during the audit which have been accepted by management.

Children's Services:

4. **Tri-b – School Meals Contract**

The Education Act 2003 imposes a statutory requirement on school boards to provide free school meals to eligible pupils and an opportunity for other pupils to pay for a meal. Schools across the tri-borough councils provided approximately 21,000 meals daily to pupils across 100 nurseries and schools. Due to the interest shown by schools and following a restrictive procurement process a School Meals Framework was granted by RBKC Cabinet as lead Authority in June 2015

All three councils have "called-off" from the framework and established sovereign contracts with the service providers following mini-competitions. Westminster Council have contracts for the supply of meals to nurseries and primary schools (WCC secondary schools have made their own arrangements for school meals). The call-off contracts run for an initial three years with an option to extend for an additional two years as required are held by each respective Council. Schools are responsible for ensuring meal numbers are accurate and paying the Service Provider (SP) directly through their delegated budgets. Each school pays for the actual cost of the service based on the level of staff, overheads and meal price. This model ensures that each school only pays for their own service costs but also benefit from the economies of scale of being in a large volume contract.

The School Meals Contract Team (SMCT), forming part of the Children's Commissioning Directorate in Children Services is responsible for monitoring performance against contract specifications, legal standards, food and health and safety and set contract Key Performance Indicators (KPI). A Service Level Agreement (SLA) with each school detailing the scope of the SMCT duties also ensures schools are aware of and agree to meet the cost of the service.

One high, three medium and four low priority recommendations have been made to address the following weaknesses:
- The introduction of the CyPad monitoring process using tablet computers requires a new set of process and guidance notes to be drawn up to reflect current monitoring procedures.
- The SMCT is currently understaffed and the appointment and retention of permanent staff is essential for the effective monitoring of the School Meals Contract;
- The SMCT has a Service Level Agreement (SLA) with each school receiving the monitoring service. Not all of these SLAs are correctly signed and dated;
- Several KPIs require information from the Service Providers "self-monitoring systems". At the time of the review, these systems were under development and the SMCT will need to derive assurance that the information for the KPIs provided by the self-monitoring system is accurate and reliable;
- A School Meals Contracts Board (SMCB) has been established by each Council. However, at the time of the review, a Terms of Reference for the Boards had not been established. A recommendation has been raised to improve control in this area;
- The SMCT is responsible for monitoring compliance to statutory regulations relating to gas powered equipment used in the preparation of meals. Compliance tests in this area indicates a weakness in the completeness of the records held by the team;
- The DBS status of the Service Providers' staff is a standard agenda item for discussion at the operational meetings. Compliance tests indicated a weakness in the currency of the information on the DBS status of some Service Providers' staff.

The recommendations have been accepted by management.

Growth, Planning & Housing:

5. **Housing Rents**

CityWest Homes (CWH) manage the Council's housing stock of 12,150 rented properties, using the Orchard Information system. Housing rents are the payments made by a tenant for occupancy of a council property. The rent is used to maintain the council properties and to fund the services provided. The amount of rent charged for each property is usually reviewed at the beginning of each year with changes starting in April. Tenants are informed of the rent due at least four weeks before any change in the level of rent. The Welfare Reform and Work Act 2016 requires registered providers of social housing in England to reduce social housing rents by 1% a year for 4 years from a frozen 2015 to 2016 baseline and to comply with maximum rent requirements for new tenancies. The Act has applied from 01 April 2016.

Regulations under the Act set out exceptions to rent reduction, additional criteria for granting exemptions and impose alternative requirements on certain categories of housing exempted from the basic provisions. A local authority may be granted an exemption if the Secretary of State considers the authority would be

unable to avoid serious financial difficulties if it were to comply with the requirements. The Council Cabinet reviewed and approved the proposed rent reductions for 2016/17 on 8 February 2016. Subsequent to this, CityWest Homes (CWH) was notified of the rent reductions to be applied. Testing confirmed that the 1% rent reduction had been applied correctly and tenants notified of the reduction more than 28 days prior to the changes being applied.

Although the housing rents process had been reviewed in 2015/16, the Director of Housing requested a further focused review in 2016/17 of the housing rent reduction scheme. This review tested a sample of housing rent calculations and included a follow up of the recommendations from the previous housing rents audit. No key issues were identified and one low priority recommendation was made. Of the five recommendations previously made, all but one low priority recommendation had been fully implemented.

City Management & Communities:

6.   Leisure Centres – Contract Management

Everyone Active (the trading name for Sports & Leisure Management (SLM)) took over management of Westminster Sports Centres from 1 July 2016. The 10-year contract is to manage the Council's eight sport and leisure centres with an option to extend for a further five years. The contract includes the management of the Council's entire sports and leisure centre portfolio which includes the following sites:
- Paddington Recreation Ground;
- Queen Mother Sports Centre;
- Marshall Street Leisure Centre;
- Seymour Leisure Centre;
- The Porchester Centre, Spa and Hall;
- Little Venice Sports Centre;
- The existing and new Jubilee Sports Centre

The operator will also take over the management of Moberly Sports Centre when it reopens in spring 2018 following a £26m redevelopment.

As part of the audit, testing was conducted on-site at the Marshall Street Leisure Centre and the Little Venice Sports Centre.

The audit confirmed that:
- The Council (WCC) has a contract in place with Sports & Leisure Management Limited (SLM, trading as Everyone Active) which was signed by both parties in June 2016 and details their responsibilities and provisions clearly;
- Payment terms are set out in the Contract and supporting schedules with the management fee to be paid in equal monthly instalments;
- Although there was a delay in receiving management fee payments from SLM owing to administrative issues these payments were received in full by February 2017;
- Expected income is monitored by the Council's Finance Managers and aged debt reports are generated for unpaid invoices. Previously, reminder letters were raised manually, however, the system is now transitioning to automatic reminders and escalations;
- The Council will occasionally make payments to SLM for works carried out on the Leisure Sites. In these cases, purchase orders are requested and approved alongside on-site monitoring by the Council's contract managers to verify the need for the works or service. Invoices will then be approved subject to satisfaction at the time of completion;
- The fees charged by the contractor to members and service users are set annually and have been approved by the Strategic Director for City Management & Communities. The Council's Contract Managers periodically spot-check fees charged to confirm the fee schedule is complied with. From a sample of fees tested, it was confirmed that fees charged were in accordance with the agreed schedule;

- Contract Managers are familiar with the terms of the contract in their work, and have recourse to the "Client Monitoring Manual" for reference. At the time of the audit this document was still in draft and had yet to be finalised;
- SLM provide the Council with monthly "Management Packs" providing information on the Leisure Centres' performance. These cover: customer comments, facility usage statistics, and accident reporting. SLM also conduct regular anonymous satisfaction checks through a third-party, but the results of these are not currently shared with the Council. Accident and incident reporting is included in the Management Packs, but there is no clear mechanism to verify that corrective action has been taken where required;
- The Contract specifies a number of third-party accreditations that SLM are expected to maintain, such as QUEST and Green Flag. At the time of the audit, many of these were awaiting renewal or inspection; however, staff demonstrated familiarity with them and supplied partial correspondence arranging future inspections;
- The Contract Managers conduct monthly visits to each Leisure Centre. The site reports from these visits had entries that were in part incomplete, or did not fully cover aspects of the contract such as: checks on DBS compliance, review of safety certifications, and review of third-party quality accreditations;
- Health and Safety checks are undertaken by the Council's independent health and safety auditors, Top Lodge, as well as SLM undertaking their own health and safety internal audits. Feedback and supporting documents are provided back to the Council during contract monitoring meetings;
- Contract Monitoring Meetings are held monthly between the Contract Managers and SLM management and we confirmed that these had taken place. The meetings also included the updating of a management action log. The meeting minutes recorded apologies for absence but attendees were not recorded;
- SLM carries out the Health & Safety checks required by the contract and relevant legislation, and these were sampled. It was found that both the Little Venice and Marshall Street Centres had received unsatisfactory Electrical Installation Condition Reports (EICR) ratings. Both centres had raised repair orders to implement recommendations following the check, but the Council were not made aware of this;
- DBS checks are included in the Council's site monitoring report, however these had not been consistently reviewed by the Contract Managers. DBS checks are taken by SLM for staff involved in regulated activity. The Council is currently considering whether this should apply to all staff present on-site;
- SLM use software (MRM Plus2) to manage membership and bookings. This allows membership to be tracked and alerts to be raised upon missed payments or imminent expiry. Bookings can be capped at pre-assigned levels, and the MRM program prohibits duplicate entries. Income from membership is taken in advance (annually or monthly) to prevent debts. If payment is not received, SLM will contact members to freeze their membership or downgrade them to "Prospect" status (requiring payment in the centres) upon the start of the next month. Some private bookings are not paid for in advance. For these an invoice tracker is managed, and regularly updated to pursue longstanding debt;
- SLM records one-off transactions using MRM, and all Front of House till operatives have completed training in its use. Payment is recorded by the system throughout the day, and these figures are then reconciled to a manual count. Reconciliations are carried out by both the operatives and the Duty Manager, testing identified that some did not have a Duty Manager signature or Front of House signature. All variance included satisfactory explanations where applicable. Cash is kept securely and out of sight in a safe, before being collected by G4S approximately twice a week;
- An asset register is retained by the Council, dating to the time that the contract was re-tendered. Assets have minimal description, and no value approximation or unique identifiable marking. The Council intends to undertake an annual inventory check on a sample of items from the Asset Register, and to update the master copy upon verifying any additions, disposals, or replacements made by SLM.

Four medium and four low priority recommendations have been made which have been accepted by management.

7. Parking Pay by Phone (IT)

Westminster City Council (WCC) awarded NSL two separate four-year contracts covering the provision of parking staff and parking technology. One came into effect in July 2014 and the other in November 2014. 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 penalty charge notices, parking payment systems and the Councils various parking systems.

As part of the contract, a number of sub-contractors provide specific services including payment by phone, parking permits and systems to ensure efficient deployment of parking services resource within the borough. RingGo is a cashless parking application widely used by public and private organisations nationwide with the key benefit being reduction in cash handling costs and having real time information regarding available on street parking spaces. Cobalt are the providers of this solution and it is widely used across a number of London local authorities including Hammersmith and Fulham. Approximately 7.5million transactions at an average of 600k per month are made through the cashless parking application. Income from on street parking for 2015/16 was approximately £40million. The parking management system Si-Dem interfaces with RingGo to ensure all real time data is captured across both systems in relation to on street parking services.

The audit identified that, in general, appropriate controls were in place with three medium priority recommendations made to address the following:
- A small number of user accounts from the system user list were identified that should be suspended or removed due to users no longer requiring access to the application or where they were test accounts;
- There is no periodic review of user account activity including instances of multiple unsuccessful login attempts which could identify a potential security breach;
- Assurances could not be provided to demonstrate that where third party cloud services solution providers are handling and processing WCC data, these are in compliance with the Data Protection Act.

The recommendations made have been accepted by management.

City Treasurer:

8. Budgetary Control
All organisations must manage performance so that their financial and strategic objectives are achieved and so that stakeholders can be confident in the process. The proper construction and control of budgets is central to this and safeguards the organisation's viability and effective delivery of its objectives. Organisations require a comprehensive financial planning and approval framework; consistent and rigorous processes for constructing budgets; sound methodologies for assessing the financial impact of proposed budgets; compatibility with other management and performance data, and a control system that sets clear responsibilities and produces prompt and accurate information on performance against budgets.

The Council is obliged to set a balanced budget and Council Tax charge in accordance with the Local Government Finance Act 1992. The budget is set in the context of a three-year financial forecast and future budget and funding risks. The Council's Cabinet agreed the authority's proposed budget and Council Tax for 2016/17 at its meeting on 22 February 2016. Westminster needs to find over £100m in savings over the next three years, on top of £90m delivered over the past three years. Continuing reductions in government funding, changes in national legislation and increasing demands on services have led to on-going pressures on the Council's finances. Most of these savings have been achieved through extensive efficiency programmes, continuously examining every way of reducing costs and, when appropriate, increasing income.

The audit confirmed that the Council had sound budgetary control processes in place and no recommendations were made as a result of this audit.

9.   VAT

VAT is a tax on consumption levied in the United Kingdom by the national government. It was introduced in 1973 and is the third largest source of government revenue after income tax and National Insurance. It is administered and collected by HM Revenue and Customs (HMRC), primarily through the Value Added Tax Act 1994. VAT is levied on most goods and services provided by registered businesses in the UK and some goods and services imported from outside the European Union. There are complex regulations for goods and services imported from within the EU. The default VAT rate is the standard rate, 20% since 4 January 2011. Some goods and services are subject to VAT at a reduced rate of 5% (such as domestic fuel) or 0% (such as most food and children's clothing). Others are exempt from VAT or outside the system altogether.

VAT is an indirect tax because the tax is paid to the government by the seller (the business) rather than the person who ultimately bears the economic burden of the tax (the consumer). The Council operates under a special legal regime which provides complex rules relating to VAT recovery. The Council is required to submit timely and accurate VAT returns. HMRC have a specialist team who carry out VAT inspections of public bodies, including local authority specialists. This team now carry out visits based on risk assessment and target specific areas which are perceived to represent more risk. Any errors can attract penalties and retrospective action for a period of three or four years depending on the nature of the error.

This audit considered:
- the Council's arrangements for VAT invoicing and recording of income;
- the processes and methodology for recording properties subject to the option to tax;
- VAT partial-exemption calculations and monitoring;
- The recording of expenditure and maintenance of supporting evidence;
- Processes for supporting schools with their VAT compliance obligations;
- Recent correspondence with HMRC and any protective claims.

One high, four medium and two low priority recommendations have been accepted by management to address weaknesses which are summarised below:
- Transaction testing indicated that for a number of transactions which do not attract VAT there appears to be some evidence of confusion between the zero-rated, exempt and non-business tax codes. The incorrect coding should be addressed by a review of existing product codes;
- The partial exemption calculations are currently driven entirely by the tax coding in the accounting system and is performed annually by the outsourced accounts function. The level of VAT on expenditure attributable to exempt supplies is formally monitored every six months. Without regular monitoring there is a risk that an avoidable breach of the *de minimis* threshold could take place which could lead to a significant restriction to input tax recovery. The risk of this is heightened as we understand the percentage of input tax attributable to exempt supplies is already running close to the threshold. The Council is implementing quarterly monitoring of the partial exemption calculations to reduce the risk of accidently exceeding the d*e minimis* threshold;
- There is no formal impact assessment of capital projects on the Council's partial exemption position. We understand that commercial accountants have been informed of the risk and have attended training sessions to reduce this risk. We have also seen an extract from the business case which indicates that VAT considerations must be made on Capital Projects;
- The Council has no record that it holds any property subject to an option to tax. Whilst there may be no properties over which an option has been applied it is possible that the Council has opted certain properties but failed to maintain a record of this. If VAT is not charged on income relating to opted properties, then the Council may be faced with a VAT exposure if it cannot pass the VAT onto its customer. VAT under declared may also be subject to penalties and interest. The Council now have a formal register for option to tax properties which HMRC have provided and this has been matched to the Council's property records.

10.   Anti-Fraud Service

The Shared Services Anti-Fraud Service is led by the Shared Services Head of Fraud and delivered through the following structure:
- London Borough of Hammersmith & Fulham (LBHF) Corporate Anti-Fraud Service (CAFS) – Manager, two Financial Investigators, 2.6 Full Time Investigators, and two vacancies. They also have an apprentice;
- Westminster City Council (WCC) Corporate Anti-Fraud Service (CAFS) - Manager, Intelligence Officer, 1.5 (FTE) investigators, two vacancies, and one Blue Badge Investigator; and
- Royal Borough of Kensington & Chelsea (RBKC) Corporate Investigations Group (CIG) – Manager, three investigators, one apprentice and one vacancy.

The work of the Anti-Fraud Services is split into four areas:
- Residents parking permits and disabled badges being wrongfully obtained;
- Instances of Council housing being wrongfully obtained and allocated;
- Subletting of Council properties; and
- Internal investigations into staff and contractors.

In April 2015 WCC's fraud service moved in-house under the management of RBKC. As identified above, the service was operating with a number of vacancies while they ascertain the impact of the transfer of staff on the existing staff's workload. With the reduced investigative resources, the service has been focussing on prevention. Prevention is often the most efficient way to make savings and the service's strategy will aim to educate staff about the risks of fraud, as well as provide the appropriate skills, tools and support to prevent it. The prevention element of the counter fraud activities is underpinned by five work streams as follows:
- Evaluation – Each of the three teams within the Shared Services Anti-Fraud Service will assess and gain a greater understanding of the various fraud risks the Council faces, performing a risk assessment and fraud resilience check;
- Engagement – Liaison across Council services and departments to further quantify fraud risks and mitigating processes;
- Education – Bespoke fraud awareness to inform staff about the risks and impact of fraud occurring with their own services as well as across the Council;
- Empowerment – Provide services with the skills, techniques, tools and controls that will aid fraud prevention; and
- Enforcement – Where fraud is identified that cannot be dealt with at a service level, the relevant team within the Shared Services Anti-fraud Service will continue to provide investigative support and continue to investigate suspicions of fraud.

In addition to the preventative work, the services also undertake pro-active work including National Fraud Initiative (NFI) data matching and also detective investigations followed by enforcement activities to deter future occurrence.

The audit identified that the Corporate Anti-Fraud Service (CAFS) has a suite of high level policies and procedures published on the intranet and accessible to all staff across the boroughs. These include:
- Shared Service Anti- Money Laundering Policy;
- Shared Service Fraud Response Plan;
- Shared Service Fraud risks: Guide for managers;
- Tri-Borough Corporate Anti-Fraud Service - Disabled Parking Scheme and Disabled Parking Badge Procedures; and
- Anti-Fraud and Corruption Strategy

In addition to the above, CIPFA Codes Self-Assessment and Action Plan (Managing the risk of fraud and corruption) has been completed and 95% of the standards were assessed as 'achieved' and action plan has been set against the remaining three standards assessed as 'partly achieved'.

There are also a number of operational policies and procedures available to staff.

Discussions with the Shared Services Head of Fraud and examination of a sample of documents confirmed that the policies and procedures are updated periodically. There is a policy and procedure control sheet which records when the document was last reviewed and is used as a monitoring tool to identify any policies that need to be reviewed.

Examination of the Fraud Risk Register established that key fraud risks are split into:
- Generic fraud risks - such as theft of assets, money laundering, means testing, decision making (bribery and corruption), procurement and ICT and Data Security;
- Service specific risks – including tenancy, rights to buy, residents parking, disabled parking, direct payments/personal budgets, benefit, fake invoices, business rates and insurance;

Risks are re-assessed on annual basis and the risk register is compiled on the basis of the staff knowledge & experience, historical information, input from departments and Internal Audit. The Risk Register is linked to an action plan which contains the current risk status, actions to be taken, status of the proposed action and the timeframe for implementing the actions. The Fraud Risk Action Plan is reviewed regularly throughout the year to reflect any changes taking place internally and externally and it was last updated on the 11 October 2016. The investigators consider the inherent and residual risks to determine the extent of resilience to the fraud risks. Where the residual risk remains high, further actions are planned and this is fed through to the Fraud Risk Action Plan as indicated above. The investigators and managers receive fraud alerts from the National Anti-Fraud Network and these also help to build the Councils' resilience against the fraud risks.

CAFS has a service level agreement with City West Homes Ltd in order to tackle tenancy fraud.

An investigation undertaken by the CAFS results in an investigation report being issued which includes a conclusion on how the issue arose and recommendations to the services and departments for them to address weaknesses in their control environment. The implementation of these recommendations is not currently followed up due to resource constraints but this will be addressed shortly.

E-learning tools and advice are provided to services and departments in respect of fraud risks and mitigating controls to prevent, detect, and deter fraudulent activities. Discussions established that making the e-learning modules compulsory has been difficult, and while the CAFS always raise them at engagement meetings with services, take up has been slow. We were informed that there has been some movement recently, with WCC Housing Services agreeing to undertake the ID checker across their department and some work with WCC City Inspectors leading to them undertaking anti-bribery training. However, there is currently no mechanism in place to follow up and escalate non completion of e-learning modules for officers whose roles will benefit from the training.

A Fraud Focus Newsletter is being developed which is intended to raise awareness of the fraud risks that members of the public should be aware of and also to provide an insight of the work carried out by the Service. The newsletter will be posted on the Councils' websites so that residents and members of the public can easily and freely access it.

The CAFS have extended the use of the National Fraud Initiative (NFI) application checker (AppCheck) which can be used to verify an applicant's residency to school admission applications. In addition, CAFS also provide checks on the right to buy applications to help prevent fraudulent applications.

Examination of a sample of referrals established that all referrals were reviewed, checked and assessed by an Intelligence Officer for WCC. Discussions established that once a referral is accepted for investigation, a case file is opened and details are entered on the case management system (Incase). It was identified that in some instances, the referrals may be rejected for the following reasons:
- Housing Benefit (only) referrals are no longer investigated by Local Authorities, and will therefore be re-directed to the DWP;
- (Non-fraud) referrals that relate to other Tri-Borough services will be re-directed to the appropriate team;
- Referrals that are not clearly identifiable for any enforcement remit or function.

It was identified that where the investigation reaches a positive outcome, a closure report is produced. The closure report is checked and signed off by the managers and is sent to the Head of Fraud. As part of the sign off process the managers also check the time taken to conclude the case. In addition, managers and the Intelligence Officers monitor the open cases and follow up on long standing cases as required. A Tri-Borough Appraisal and Personal Development Plan is in place and investigators' performance is assessed to ensure consistency in the working practices across the three boroughs.

CAFS carry out a variety of pro-active and detective investigations such as NFI data matching, West London Hub "Track a Fraudster" system (the hub extracts and matches data from participating Councils to identify potential fraud) and Anti - money laundering questionnaires for Right to Buy applications.
Every two years, creditors' data, history and current payroll data is extracted and matched across a number of fields as part of National Fraud Initiative's data matching exercise. It was identified that there have been some issues retrieving data from Agresso for this exercise, however, the data was eventually provided.

Performance of the Anti-Fraud Services is reported and monitored on a monthly basis through monthly performance reports. These reports identify the positive actions to date, breakdown of fraud identified per Service Area/Council and provide an overview of officer's output. In addition to the monthly performance reports, end of year Counter Fraud report is produced annually for each borough to summarise the achievements for the year. Cost benefit analysis against each investigation is not currently undertaken.

Four medium priority recommendations were made which are expected to be implemented during 2017/18.

11. Treasury Management

Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as 'the management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks'. Treasury management focuses on how organisations manage their cash resources and its scope covers borrowing, investment and hedging instruments and techniques. Risk is inherent in all treasury management activities and it is necessary to balance risk and return. In public services, it is generally considered that the priority is to protect capital rather than maximise return.

Treasury management is a shared service with Westminster as the lead borough. However, each Council undertakes its day to day treasury investment and borrowing activity in accordance with its own strategy, policy, practices and procedures. As at 31 March 2016, the Council had total investments of £629m, and total borrowings of £252m. The net surplus for the Authority increased from £322m to £377m over the year; the cash inflow of £55m predominantly a result of positive reserve movements and working capital. This was reflected in the increase in investment balances.

The Council's treasury management strategy indicates that the Council has formally adopted CIPFA's Code of Practice on Treasury Management. The code requires the creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities and creation and maintenance of Treasury Management Practices (TMPs) that set out the manner in which the Council will seek to achieve those policies and objectives. The code further requires receipt by the full Council of an annual Treasury Management Strategy Statement. The Council's Annual Strategy was approved by the Council on 22 February 2016. The tri-borough TMPs were going through an interim review at the time of the audit.

The audit confirmed that Procedure notes have been developed for the tri-borough treasury management function which covered:
- Coding of Cash Movements – (Tri-Borough Coding of Treasury Management Cash Movements);
- Authorising Online Banking Payments; and
- Tri-Borough Monitoring of Counterparties.

A training session was undertaken in November 2016 to introduce the procedure notes. The training session included discussion topics such as Treasury Risk Management, Operational Risk in Practice (Online

Payments), Investment Categories and the Investment Framework. The training presentation indicates that the Tri-Borough treasury function is governed by the CIPFA Code of Practice on Treasury Management.

In accordance with the CIPFA guidance, and to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties to engage. This also enables diversification and thus avoidance of concentration risk for the Council.

Testing of a sample of investments confirmed that:
- The investments were placed with counterparties that meet the criteria on the approved listing;
- The tenure and cumulative investment placed with counterparties was in line with the strategy; and
- The principal and interest components were received promptly when matured.

During 2016, there were two tranches of investments made that did not comply with the Council's strategy. All but one of the investments has matured and a decision has been made to keep this investment to maturity following a management review. Management had already reported this in their mid-year review and a checklist has since been introduced to help strengthen the process and audit testing confirmed that the new checklist was being completed.

One medium priority recommendation was made that the reconciliations between the Treasury Live and Agresso systems, which are prepared by the Treasury Manager, should be reviewed and approved by an independent senior officer. This has been accepted and implemented.

12. **General Ledger**

The Council has a statutory obligation to make arrangements for the administration of its financial affairs and to ensure the accuracy of the General Ledger to ultimately present its financial accounts. A General Ledger is the master set of accounts that summarise all transactions occurring within an entity. The General Ledger contains a debit and credit entry for every transaction recorded within it, so that the total of all debit balances in the General Ledger should always match the total of all credit balances. If they do not match, the General Ledger is said to be out of balance, and must be corrected before reliable financial statements can be compiled from it. The new General Ledger System (Agresso) was implemented in April 2015. With Finance being part of the Managed Service, the provider, BT, is responsible for managing and maintaining the system and related services.

The Council's Financial Regulations provide the governance framework for managing the Council's financial affairs. The Local Government Act 1972 makes the Chief Finance Officer (City Treasurer) responsible for the proper administration of the Council's financial affairs. These Regulations are issued pursuant to these responsibilities and include sections on budgetary control, financial monitoring/control and treasury management. The Council's Financial Regulations were last reviewed in March 2016.

The audit confirmed that Standard Operating procedures had been developed for the use of the General Ledger, including making changes to cost centres and account codes, managing the cashbook, bank account reconciliations and journals. Control accounts are identified and reconciled and feeder systems to the General Ledger are reconciled automatically. Interfaces to the General Ledger have to balance and system checks are undertaken by BT on interface files and the Council informed promptly if any fail to load into Agresso. Weekly bank reconciliations are performed by BT on the Council's core bank accounts and the Council carry out full quarterly bank reconciliations to provide additional assurance over the accuracy of the General Ledger. Journals are approved through workflow authorisation and testing confirmed appropriate evidence was available to support the journals. A Corporate suspense account is monitored weekly by the Council and the level of unallocated items in this account was reasonable.

The Council's closing timetable and guidance is produced for each quarterly close and this is available to staff on Office 365 and is also distributed via email. Further year-end guidance, including a 'How to Guide' and answers to FAQs are accessible on the Tri-Borough SharePoint.

No recommendations were made as a result of this audit.

Corporate Services

13. **IT Security Incident Management**

Security Incident and Data Management for the Shared Services (London Borough of Hammersmith & Fulham, Westminster City Council and Royal Borough of Kensington & Chelsea) are currently being managed separately. Following a restructure of the ICT service in October 2016, the ICT support arrangements have changed with two ICT functions being established; a shared bi-borough RBKC and WCC ICT function and a single sovereign and autonomous H&F ICT function, effectively a two plus one delivery model. Where suitable and appropriate the three councils will continue to share services in ICT where there is a suitable business case for doing so such as Office 365 implementation and aligning Information Management Strategy and associated information security policies across the three councils. Two chief information officers are in post heading up each of the ICT services that cover the three councils. Operationally the WCC service desk is managed by a contractor (Agilisys), whilst desktop and data centre is managed by BT.

The key findings and an assessment of controls are summarised below:

- Information Data Classification and Handling Guidelines which indicate how official and sensitive information must be shared and transmitted are available for the Shared Service. Shared Service Privacy Impact Assessment (PIA) Template, Information Sharing Agreement (ISA) and Information Sharing Protocol (ISP) are in use and copies of these are published on the intranet. It is the department/service area's responsibility to maintain records of their completed PIAs, ISAs and ISPs with the relevant project or procurement documentation;
- The three Councils have adopted the Shared Services Information Security Policy Documents that were developed as part of the Information Governance workstream of the Shared Information Management Strategy Work Programme. The Policy Documents were approved during 2016 and copies of these are published on the intranet;
- All three Councils make use of Policy Management Software, NetConsent, to roll out the Information Security Policy documents to all users and to record their acceptance of the policies including the Personal Commitment Statement.
- Evidence was provided to show that Security and Data Protection Training was made available for both WCC and RBKC users for 2016/17 in the form of online training module. It was also noted that RBKC and WCC are in the process of developing an Information Security and Data Protection Incident Management Policy Procedure, which will be the basis for Security and Data Training and user awareness;
- All three Councils are currently registered under the Information Commissioner's Office (ICO). Record Management Policy and Procedures are in place at the three Councils which also incorporate data retention schedules indicating how long data should be kept. In addition, confidential waste bins are stationed within the three Councils offices for disposal of confidential paper records;
- Data protection control such as Logical Access Controls on software, Firewall & Antivirus and Remote Access VPN Portal requiring two factor authentication have been implemented to prevent unauthorised access to systems and data;
- Backup Strategy Procedures and Policies have been implemented and for WCC, backups are performed by BT and are managed as part of the hosting and IT service agreement A review of the backup logs confirmed that data backup is regularly performed;
- For WCC, the service desk is outsourced and managed by BT and is available 24/7. Security incidents are logged through the service desk and escalated to the Information Security Team for containment and investigation. From the sample of security incidents reviewed, we noted that there is a formal process in place for investigating security incident. However, the following issues were noted:
    - A log of security incidents was not provided, although Audit were informed that long term security incident trends are monitored as part of the service desk agreement with BT. However, no evidence was not provided to support this despite email requests to the responsible officer; and

- There is no Service Level Agreement (SLA) to ensure that security incident management performance statistics are reported and monitored against agreed SLA.

- For WCC, eight data protection breaches were reported in 2016/17 which were dealt with in accordance with agreed protocols and guidelines.

Three medium priority recommendations were made to address the identified weaknesses, which have been accepted by management:

Policy & Communications

14. **Governance**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Local authorities are required to prepare an Annual Governance Statement (AGS) in order to report publicly on the extent to which they comply with the code of governance consistent with the good governance principles contained in the CIPFA Delivering Good Governance Framework. This includes how they monitored and evaluated the effectiveness of their governance arrangements in the year, and any planned changes in the coming period. The AGS is a means of communicating with the community, service users, tax payers, and other stakeholders on the Council's governance arrangements and how the controls it has in place manage risk of failure in delivering its outcomes.

The CIPFA Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term. Whatever form of arrangements are in place, authorities should test their governance structures and partnerships against the principles contained in the framework by:
- Reviewing existing governance arrangements;
- Developing and maintaining an up to date local code of governance, including arrangements for ensuring ongoing effectiveness; and
- Reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and planned changes.

A Corporate Governance audit in 2015/16 evaluated the Council's governance arrangements against relevant standards, primarily the CIPFA "Delivering Good Governance in Local Government Framework" and 'Good Governance Standard for Public Services' by the Independent Commission for Good Governance in Public Services. The 2016/17 internal audit focussed on requirements arising from the 2016 edition of the CIPFA Delivering Good Governance Framework that have not been subject to recent internal audit coverage and are summarised below:

Defining Outcomes in terms of sustainable economic, social and environmental benefits
Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short term factors such as the political cycle or financial constraints.
- The Council has a strategy entitled City for All. The scope of the strategy is to shape both council services and the wider city to provide a long-term strategic framework within which decisions can be made. The strategy is evidence based and informed by long-term views of the financial and socio-economic context in which the Council is operating;
- The strategy is also underpinned by further service specific strategies and plans (some of which are based in legislation) which provide a further detailed long-term view to guide decision making in different policy areas. This includes the following:

- The Health & Wellbeing Strategy for Westminster which looks at covering 2017-21 and looks at the local health and care system and covers the period 2017 to 2021;
- The Council's Efficiency Plan covering 2016 to 2020 which sets out how the Council plans to meet the financial challenge it faces and continue to deliver savings whilst protecting services for residents, local business and visitors to Westminster; and
- The City Plan.

Together this overall policy framework makes sure that potential conflicts between the organisation's intended outcomes and short term factors are avoided.

Ensuring fair access to services
- The Council has an Equal Opportunities section on it's website. This covers the Council approach to dealing with the Equalities Act 2010 specifically in relation to:
  - Eliminating unlawful discrimination, harassment and victimisation and any other conduct prohibited by the Act;
  - Advancing equality of opportunity between people who share a protected characteristic and people who do not share it; and
  - Fostering good relations between people who share a protected characteristic and people who do not share it.

- The protected characteristics covered by the Equality Duty are:
  - Age;
  - Disability;
  - Gender reassignment;
  - Marriage and civil partnership (but only in respect of eliminating unlawful discrimination);
  - Pregnancy and maternity;
  - Race – this includes ethnic or national origins, colour or nationality;
  - Religion or belief – this includes lack of belief; and
  - Sexual orientation.

- The Council has used workforce monitoring information to:
  - See if there are differences in the way racial groups are treated;
  - Investigate the underlying reasons for the differences; and
  - Deal with any unfairness, disadvantage or possible discrimination.

  However, the latest information on the Council's website is from 2014.

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Ensuring that external providers of services on behalf of the organisation are require to act with integrity and in compliance with ethical standards expected by the organisation.
- The Council's Procurement Code under Section 5.1 – "Legal framework", states that officers at the Council shall ensure that they are up to date with developments in the legal framework and are equipped to comply with the Council's legal obligations, this includes ensuring that supplier of services do the same;
- In order to make those involved in the tender process to think about ethical values and respecting the rule of law, tenders go through the Capital E-sourcing system and requires sign off of several waivers (such as financial evaluation, criminal conviction disclosure, compliance with the Anti-Bribery act). The process also requires officers to analyse potential services providers in several areas including:
  - Criminal Convictions and Business Probity;
  - Economic/Financial Standing;
  - Environmental Management Legislation and Procedures;
  - Equality and Diversity; and
  - Health and Safety.

Developing the entity's capacity, including the capacity of its leadership and individuals within it
Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.

- The Council is developing Talent Strategy that seeks to maximise the potential of current staff and attract and retain the best talent. It aims to build pipelines from Internship, Graduate and Apprenticeship entry through to top leadership roles to ensure that the Council has a modern and effective workforce. A paper on this went to the Executive Management Team in October 2016;
- This is supported by a new 360 Feedback culture, where junior staff have an input in the appraisal process for more senior staff, ensuring that their voices are heard and taken into account;
- The Council is also, in conjunction with staff and managers, developing a recruitment brand. The aim of this is to attract the best talent to work at the Council now and in the future. The brand will help showcase the story of working at the Council for potential candidates and will also boost internal staff engagement.

Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.

- Amey: The Total Facilities Management (TFM) team is responsible for ensuring that the contract obligations are fulfilled and services are fully implemented. Amey were contracted to provide TFM services for the three Councils. 13 key performance indicators (KPIs) were identified to consistently measure the success and effectiveness of the TFM contract and are reviewed quarterly;
- BT: is managed through the Strategic Risk Register (under managed services) and reports to the Audit Committee on issues identified on the 15/16 AGS;
- 3BM: The Children's Services Tri-borough Director of Finance & Resources has regular meetings with senior management within 3BM with most of these activities managed as part of individual projects/programmes that enables me to derive assurance on the deliverability of the services provided by 3BM. Annual reports for 2015/16 detailing some of these projects were provided;
- Monitoring contractor risk also forms part of the Council's risk management process.

One low priority recommendation was made that the Council should prepare an annual workforce report, analysing data and information on diversity indicators. This report should be published on the Council's website. The recommendation is due to be implemented in April 2017.

15. **Risk Management Compliance**

Effective risk management is essential to improve strategic, operational and financial management by helping to maximise opportunities, minimise threats and maximise resources for services. Risk management also helps to maintain high standards of corporate governance and leadership. Any risk management process should have clearly defined steps to support better decision making through understanding of risks, whether a positive opportunity or a threat, and the likely impact. It is designed to be a continual process which is regularly reviewed and monitored and used actively during decision making

The Council aim to align risk management with business planning, financial management and performance management processes to ensure that it is a live process. The Council use a combination of strategic and operational risk registers to help ensure risk management is addressed in an integrated way. The Executive and senior management aim to provide the commitment, support and resources necessary to deliver the risk management strategy and ensure a positive culture of risk awareness across the organisation. In this way, the Council and partners aim to achieve better outcomes and enhance the value of the services it provides.

Risks are considered as part of decision making at all levels in Delivery and Support Units, Commissioning, partnerships, project and contract management. Westminster City Council aim to use a combination of strategic and operational risk registers maintained on a Business Intelligence platform.

The audit identified that:

- The Council (WCC) has a 2016-17 Risk Strategy in place which outlines the roles and responsibilities of staff involved and provides guidance on the risk management process;

- Prior to June 2016, risk management guidance, risk registers and departmental business plans were stored on the Partnerweb site. This site crashed in June 2016 and, as a result, a shared Office 365 site is currently being used as an interim solution to store risk registers and risk management guidance;

- A Risk Toolkit provides additional guidance to staff, outlining the scoring matrix and the five stages of the WCC risk management process: Identification, Analysis, Prioritisation, Action and Monitoring. Risk scores are assessed using a risk evaluation matrix which involves an impact and likelihood assessment. The Toolkit highlights eight different types of impact: Financial, Service Provision, Health and Safety, Objectives, Morale, Reputation and Government relations. Different scales for the measurement of risk impact have also been defined: Negligible, Low, Significant, Critical and Major;

- Through observation of the shared Office 365 site, it was established that a standard risk register format is maintained that is consistent across the organisation. Tri Borough departments use a different format in line with the London Borough of Hammersmith and Fulham and Royal Borough of Kensington and Chelsea template; however, the same information is captured;

- Prior to the Partnerweb site crashing in June 2016, where new risks were identified by management, these were created on SharePoint by the risk owner, with the Planning and Performance Manager being informed of new risks added to the risk register via an automated notification. New risks would then be reviewed by the Planning & Performance Manager to confirm that they had been recorded correctly and scored consistently. Given the crash of the Partnerweb site, there are no longer automatic risk notifications received by the Planning and Performance Manager and this is currently a manual process;

- At the time of the audit, the Council was exploring a Business Intelligence platform for risk management reporting for 2017/18. It is anticipated there will be a phased implementation of the system commencing from the start of the 2017/18 financial year. Once it has been implemented the automatic notification feature of new risks will be reinstated. As this is a work in progress no recommendation was raised;

- service area Business Plans for the period 2015-17 have been finalised and were still accessible by management on the old Partnerweb site. It was identified that key risks identified within Business Plans had been captured within the relevant service's risk registers;

- Risks are classified as either strategic, operational or change risks. Risks are then further identified under one of the following Sub Risk categories: Political, Economic, Social, Technological, Legislative, Environmental, Professional/Managerial, Financial, Legal, Physical, Contractual, Competitive and Customer/Citizen. Examination of all departmental risk registers confirmed that risks identified had been categorised as strategic, operational or change and a sub risk category had been allocated in all cases;

- Inherent and residual risks are evaluated using the Risk Scoring Matrix which is defined in the Council's Risk Management Toolkit. The Matrix uses a red, amber and green code to distinguish risk levels. Risks are evaluated in terms of likelihood and impact. A risk score is calculated and allocated to each risk identified based upon the risk matrix. We were able to confirm that all risks within the departmental risk registers had been allocated a risk score, with both inherent and residual risks assessed;

- Where new risks are identified, the "Mitigation Action" section of the risk register template is required to be completed, which identifies the activity in place to reduce exposure to the risk. Mitigation actions had been recorded for each risk identified in all departmental risk registers. However, from the action plans recorded, there was no distinction between controls already in place and the future controls required to manage the risk to an acceptable level. The registers also did not give details of sources of assurance that controls were working effectively;

- A Corporate Performance Reporting guidance policy has been developed by the Strategic Performance Team, which refers to the process of performance management and reporting. We obtained a copy of the Executive Management Team (EMT) paper from March 2016, setting out corporate performance reporting guidelines for the 2016/17 financial year;

- Where risks have been assessed with a score of 12 or greater, they are required to be automatically flagged for EMT attention. Due to the crash of the Partnerweb site, this has not happened since June 2016. Risk Register information is manually extracted and submitted to EMT on a quarterly basis as part of the quarterly performance report (see below). Going forward, it is the intention that once the Business Intelligence platform has been fully implemented, the automated flagging up of significant risks to EMT will be reintroduced;
- The Council's key risks are monitored and reported upon as part of quarterly performance reports that are prepared by the Policy, Performance & Communications Team. Data is initially requested from individual service areas by the Policy & Performance Manager, with a deadline provided to respond by. This information is submitted via the Business Intelligence platform. Draft quarterly reports are discussed by EMT and, where additional information is required, this is requested from Service Areas. We obtained copies of the last three quarterly reports. The reports highlighted service pressures, risks and challenges for each department. We also obtained meeting minutes from the last three quarterly EMT meetings, confirming that the draft performance reports had been discussed;
- In addition to risks being captured within the Quarterly Performance Report, monthly insight reports are produced and discussed at EMT meetings. These reports detail new and emerging risks, current priorities, performance highlights, financial highlights and principal risks and uncertainties for all departments. They also include a summary of mitigating actions currently being taken to address identified risks. The last three reports were obtained;
- On a quarterly basis the Audit and Performance Committee receive the finalised Performance Report, which we were able to confirm for the last three quarters. Following the committee meeting, any queries raised will be followed up with individual service areas and reported back to committee via a briefing note;
- We were able to confirm that efforts are being made to introduce formal risk management training to risk leads. Discussion with the Evaluation and Performance Analyst established that informal meetings have taken place with risk leads responsible for recording risks on risk registers. After the release of the new risk register template in September 2016, a training workshop took place.
- Further discussions established that, starting in January 2017, group meetings will take place amongst risk owners to go through worked examples and ensure that all risks identified are aligned to the KPIs of the services. Once the new Business Intelligence platform is officially launched in the New Year, the plan is for further training to take place to ensure that risk owners are fully aware of how to navigate the platform and effectively report on risk management within their departments;
- From discussions with the Evaluation and Performance Analyst and the Shared Services Risk Manager at the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea, is was established that the sharing of intelligence regarding risks is currently limited;
- As part of the Annual Assurance Framework, Directors of departments are required to complete and sign off an annual assurance questionnaire to confirm that the statements provide a fair reflection of the system of internal control and governance arrangements operating within each department. Executive directors are required to sign off an annual assurance statement. The annual assurance returns for Children's services, Corporate Property and Commercial and Procurement had been completed but not signed off by the relevant directors.

Two medium and one low priority recommendations have been made to address the weaknesses identified in the audit which are due to be addressed in the first half of 2017/18.

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 12) Full year target = 90%	90%	94%	
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	88%	Slightly under target. Focus on quicker turnaround of draft report.
Percentage of audits finalised within 10 days of a satisfactory response	95%	97%	
Percentage of jobs with positive feedback from client satisfaction surveys	90%	100%	26 received YTD, average score of 4.1 (positive score).
Percentage of recommendations implemented or in progress	95%	94%	130 out of 143 recommendations. Three audits requiring further follow up.