



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	23 November 2017
Classification:	For General Release
Title:	Internal Audit 2017/18 – Progress Report (August to October 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 with 16 positive assurance reviews (substantial or satisfactory) being issued in the period, although two limited assurance audits have also been issued since the last report to the Committee.
- 1.2 The follow up reviews completed in the period for ten audits confirmed that the implementation of recommendations has been effective with the majority (90%) of recommendations fully implemented at the time of review.
- 1.3 Internal Audit's performance for the period was slightly below target for two indicators (percentage of audit plan completed and timely issue of the draft report) although it is anticipated that the annual targets will be met.
- 1.4 The Appendices to this report provide the following information:
 - **Appendix 1** Audit reports finalised in the year to date, showing the assurance opinion and RAG status;
 - **Appendix 2** - Additional information on the audited areas;
 - **Appendix 3** - Performance Indicators.

2. Recommendation

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

3. Background, including Policy Context

The Council's internal audit service is managed by the Tri-borough Director for Audit, Fraud, Risk and Insurance. Audits are undertaken by the in house audit team or by the external contractor to the service, in accordance with the Internal Audit Charter reported to the Committee in June 2016. Reports on the outcomes of audit work are presented each month to the Council's Section 151 Officer. The Audit & Performance Committee are provided with updates at each meeting on all limited and no assurance audits issued in the period.

4. Internal Audit Opinion

- 4.1 As the provider of the internal audit service to Westminster City Council, the Tri-borough Director for Audit, Fraud, Risk and Insurance is required to provide the Section 151 Officer and the Audit & Performance Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. In giving this opinion it should be noted that assurance can never be absolute. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.
- 4.2 The results of the audit reviews undertaken in the reporting period concluded that generally systems operating throughout the Council are satisfactory, with 16 positive assurance (substantial or satisfactory) reviews being issued in the period.
- 4.3 Two limited assurance reports have been issued:
- ASC – Contract Management – Dementia Outreach;
 - GPH – Millbank Estate Management Office (MEMO).

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

5. Audit Outcomes (August to October 2017)

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

Audit	Assurance	RAG
GPH – Total Facilities Management (TFM) Contract Management	Satisfactory	Green
GPH – CityWest Homes – Acquisitions & Disposals of HRA Property	Satisfactory	Green
CMC – Parking Permits	Satisfactory	Green
CMC – Sayers Croft Outdoor Learning Centre	Satisfactory	Green
CT – Procurement Cards	Satisfactory	Green
PH – Supplier Resilience	Satisfactory	Green
PH – Obesity Contract Monitoring	Satisfactory	Green
PH – Commissioning Governance	Satisfactory	Green
CS – Managed Services – Data & Information Security	Satisfactory	Green
Tachbrook Nursery School	Satisfactory	Green
Portman Early Childhood Centre	Satisfactory	Green
St Clement Danes Primary School	Substantial	Green
St Matthew's Primary School	Substantial	Green
Robinsfield Primary School	Satisfactory	Green
Westminster Cathedral School	Satisfactory	Green
QE II Special School	Satisfactory	Green

Further information on these audits is contained in Appendix 2.

5.1.1 ASC – Dementia Outreach, Contract Management & Monitoring (Amber)

As reported to the Committee in September 2017, a number of Adult Social Care contracts had been reviewed to determine the adequacy of the contract management and monitoring arrangements. One of the contracts reviewed was the Dementia Outreach service which is a Westminster City Council led contract which has been provided by Housing and Care 21 since 2012. The Outreach service is part of a wider integrated service for people with dementia and is spot purchased within the Borough. There is a separate outreach service contract with Housing and Care 21 within the London Borough of Hammersmith and Fulham. The contract was awarded to Housing and Care 21 in March 2012 with the duration of the contract taking the delivery of the service by the contractor to 28 February 2015. The contract does not include an option to formally extend the contract for any further period of time. The services provided include, but are not limited to:

- Support for those living with dementia;
- Help to access services such as social support and health to support independent living;

- Care planning to ensure that end of life choices are understood and respected; and
- Advice, information and guidance for carers and families.

From 2015, Officers sought a contract waiver from the Council to regularise the contract, and to extend the contract through a Direct Award. However, the contract exceeded the Public Contract Regulations 'light touch' regime of c.£589k, so the contract could not be regularised. This meant that the contract continued under implied terms and conditions. Housing and Care 21 were due to novate the service to Ark Home Care and a waiver to the normal procurement rules was obtained in December 2016 and the arrangements extended until March 2018 to allow the Council to assess the success of the novation. A new contract will then be put in place following the expiry of the waiver through a formal tender process.

Two high, four medium and one low priority recommendations have been made to address the following weaknesses:

- The 'Contract for the provision of services for older frail people with dementia' had expired in February 2015 and formal approval to waive the provisions of the Procurement Code and grant an extension to the contract was not obtained until December 2016; (high)
- The contract had not been reviewed since its original signing, therefore it can be concluded that the following areas surrounding the contract have not been reviewed:
 - The schedule of work provided;
 - That the contract meets the council's priorities, as those priorities change over time;
 - Workforce development; and
 - Value for money.
- Metrics for reviewing the quality of work undertaken by the contractor are outlined within the contract such as number of clients dealt with, number of complaints and the percentage of staff trained in dementia using QCF standards or equivalent training. However, there was no evidence that Adult Social Care monitor the performance of the contractor and therefore it cannot be stated whether poor performance is present or acted upon by the service (high);
- When invoices are received by Adult Social Care, the finance team raise the invoice on the Frameworki system for approval. The invoice amount is then reconciled with the report for the number of clients dealt with and their individual prices charged by Housing and Care 21. However, where discrepancies between amount charged and number of clients dealt with are found, no further action is taken by the finance team to investigate the discrepancies. From the most recent payment run tested, there were four discrepancies ranging from £148.50 to £594 but these had not been followed up and we were unable to confirm whether the planned cost needed amending or if the invoiced amount was incorrect.

The service has confirmed that packages are checked and reconciled before processing the payment to identify discrepancies, but they don't delay payment to avoid cashflow problems for the provider. In most instances, it is the care package on the care management system (Frameworkki) that has not been updated as opposed to the provider overcharging the Council. Any discrepancies found which have resulted in an under of overpayment to the provider would be corrected in future payments;

- The contract stipulates that payments should be made to the contractor within 30 days of invoicing. However, from a sample of seven payments, two invoices had not been paid within 30 days. Finance explained that the team was new and some payments were taking longer to be processed although payments associated with purchase orders should be paid within the required timescale;
- Currently, no assurance is obtained that employees used by Housing and Care 21 hold the necessary qualifications to deal with dementia clients. In addition, the quality of the staff who deliver the service is not monitored to ensure that the service they provide is adequate and sufficient to meet the needs of clients.

The service has advised that Commissioning have worked with the provider over the last six months to reshape the service, to ensure that it is strategically relevant, provides value for money, is needs driven, delivers good quality outcomes and prevents the need to access more institutional forms of support. On site visits have taken place, officers have spoken to users and carers, an audit of staff files and customers' files has been completed to provide assurance that the service is good and that staff are trained and qualified to work with this group. The service has stated that contract monitoring is now embedded and they are working with the provider regarding performance management. Metrics and Key Performance Indicators have been agreed and these form part of the contract monitoring arrangements. It has been noted by the service that it is very likely that it will be necessary to make a direct award to ARK for a period to allow a formal procurement of this service to be completed.

5.1.2 Millbank Tenant Management Organisation (MEMO (Amber))

As previously reported to the Committee, reviews have been undertaken at seven of the Council's Tenant Management Organisations (TMOs). 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, the final planned review for Millbank Estate Management Office (MEMO) has been completed and issued to the Executive Director for Growth, Planning & Housing. MEMO is responsible for 561 individual flats (250 tenants and 261 leaseholders and their Management Allowance for 2017/18 is £549,823.

Although the TMO had appropriate processes in place in some of the areas reviewed, a consistent theme running through the audit was the gap in staff knowledge of certain policy and procedures. This needs to be addressed by the TMO to ensure a constant and consistent service is provided when key members of staff are aware from the office. Ten high, eight medium and five low priority recommendations have been made to address the weaknesses which are summarised below:

- At the time of the issuing this report, an Improvement Plan agreed by CityWest Homes with MEMO following a review of Governance in 2014 still identified three areas which were outstanding (high);
- The Management Committee have established a Code of Conduct and Confidentiality, to which all Committee members are expected to sign their agreement, although at the time of the audit, not all of the declarations had been signed by Committee members (high);
- Committee meetings open with Declarations of Interests, and persons affected were recorded as leaving meetings for the duration where an interest was pertinent. Committee Members and staff are also expected to sign a Register of Interests and renew this annually. No signed declarations were present for the 2016/17 year, however, a spreadsheet documenting interests was present;
- The Committee minutes demonstrate regular financial discussion in addition to matters discussed in the Finance Sub-committee. However, full financial reports have not been produced regularly, largely owing to changes in the TMO's accounting system. The previous repairs and accounting software were incompatible, requiring significant manual input of figures;
- The TMO does not currently operate with a separate reserve fund, and surplus or reserve funds are held at present within the current account. It was noted that this had been raised as an issue during the auditor's preparation of the Annual Accounts, and the Committee were discussing the creation of a separate reserve fund (high);
- The TMO produced a Risk Register as part of its 2016-2019 business plan. Items contained therein are subject to discussion at Committee meetings, but not formally reviewed at agreed intervals;
- Staff undergo appraisals to judge their performance and set out viable targets going forward, although this is only undertaken annually;
- The TMO does not currently operate a workplace pension scheme, however at the time of the audit it was in the process of establishing one (high;)

- The Annual Satisfaction survey was previously conducted by CityWest Homes and the TMO has not arranged to complete its own survey;
- There is no specific contingency plan for staff illness or absence although staff are able to cover for each other to a degree, and the procedure notes cover some of the key functions in good detail. However, the recent absence of the TMO Director had highlighted that there were a number of areas where staff training was required (high);
- Performance Indicators are incorporated in the TMO's Business Plan however they are not subject to formal monitoring although themes from the performance indicators were seen to be discussed in the meeting minutes;
- Tenancy management arrangements in respect of managing successions and mutual exchanges was generally compliant with procedures. However, improvement is required in the following areas (high);
 - Office management;
 - Surrender of tenancies;
 - Satisfaction surveys;
 - Sheds and non-dwellings;
 - Risk flagging; and
 - Managing introductory tenancies.

It was noted that under the Management Agreement, either MEMO or CityWest Homes can manage major works. CityWest Homes are aware of the risks associated with devolving this activity and, to date, MEMO has not undertaken this role

CityWest Homes are liaising with all of the TMOs on implementing the recommendations identified from the audit reviews and progress will be reported back to future Audit & Performance Committees.

5.2 Implementation of Audit Recommendations

Ten follow-up reviews were undertaken in the period (August to October 2017) which confirmed that 90% of recommendations made had been implemented with good progress made to implement the remaining recommendations:

Audit	No of Recs Made	No of Recs Implemented	No of Recs In Progress	No of Recs not yet actioned
CHS – Department Performance Management	5	5	0	0
CHS – School Meals Contract Monitoring	8	8	0	0
CHS – Unaccompanied Asylum Seeking Children	5	5	0	0
GPH – Corporate Property Investment	3	1	2	0

Audit	No of Recs Made			No of Recs Implemented			No of Recs In Progress			No of Recs not yet actioned		
Portfolio												
CMC – Commercial Waste	4			1			3			0		
CS – Procurement Governance	2			2			0			0		
Christchurch Bentinck Primary School	2			2			0			0		
Hampden Gurney Primary School	9			9			0			0		
St Edward’s Primary School	9			9			0			0		
St Gabriel’s Primary School	5			5			0			0		
Total	52			47			5			0		
Priority of recommendations	H	M	L	H	M	L	H	M	L	H	M	L
	4	28	20	2	26	19	2	2	1	0	0	0

Follow up is undertaken when the majority of the recommendations made are expected to have been implemented as indicated in an agreed management action plan. Sometimes recommendations cannot be fully implemented in the anticipated timescales. In these cases, where appropriate progress is being made to implement the recommendations, these are identified as “in progress”. Recommendations will be followed up until all high and medium priority recommendations are implemented or good progress in implementing them can be demonstrated. Where appropriate, the follow up is included in the next full audit of the area.

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

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BACKGROUND PAPERS

Internal Audit Reports;
Monthly monitoring reports.

Audits Completed Year to Date - 2017/18

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Children's Services	Departmental Governance (Cfwd from 2015/16)	Green	SUBSTANTIAL	0	1	0	Sep-17
Children's Services	Contract Management – Passenger Transport Contract	Green	SATISFACTORY	0	5	8	Sep-17
Children's Services	St Vincent's Primary School (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	3	Sep-17
Children's Services	St Clement Danes Primary School	Green	SUBSTANTIAL	0	2	2	Nov-17
Children's Services	Robinsfield Primary School	Green	SATISFACTORY	0	2	7	Nov-17
Children's Services	Westminster Cathedral Primary School	Green	SATISFACTORY	0	4	4	Nov-17
Children's Services	Portman Early Childhood Centre	Green	SATISFACTORY	0	2	10	Nov-17
Children's Services	St Matthew's Primary School	Green	SUBSTANTIAL	0	1	5	Nov-17
Children's Services	QE II Special School	Green	SATISFACTORY	0	6	4	Nov-17
Children's Services	Tachbrook Nursery School	Green	SATISFACTORY	0	3	1	Nov-17
Growth, Planning & Housing	TMO Odham's Walk (Cfwd from 2016/17)	Amber	LIMITED	2	10	7	Sep-17
Growth, Planning & Housing	Energy Performance of Buildings Directive (Cfwd from 2016/17)	Green	SUBSTANTIAL/ SATISFACTORY	2	2	1	Sep-17
Growth, Planning & Housing	Lessee Charges (Cfwd from 2016/17)	Green	SATISFACTORY	0	3	1	Sep-17
Growth, Planning & Housing	Gas Servicing (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	1	Sep-17

Audits Completed Year to Date - 2017/18

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Growth, Planning & Housing	Total Facilities Management (TFM) Contract Management (Cfwd from 2016/17)	Green	SATISFACTORY	2	3	3	Nov-17
Growth, Planning & Housing	Millbank Estate Management Office (MEMO) (Cfwd from 2016/17)	Amber	LIMITED	10	8	5	Nov-17
Growth, Planning & Housing	CityWest Homes – Acquisition & Disposal of HRA Properties	Green	SATISFACTORY	0	3	2	Nov-17
Adult Social Care	Commissioning Governance (Cfwd from 2016/17)	Green	SUBSTANTIAL	0	0	0	Sep-17
Adult Social Care	Commissioning & Contracts – SHSOP (Cfwd from 2016/17)	Green	SUBSTANTIAL	0	0	0	Sep-17
Adult Social Care	Commissioning & Contracts – Disability Connect (Cfwd from 2016/17)	Green	SATISFACTORY	1	1	0	Sep-17
Adult Social Care	Customer Journey (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	1	Sep-17
Adult Social Care	Contract Management – Mental Health Day Services (Cfwd from 2016/17)	Green	SATISFACTORY	1	2	1	Sep-17
Adult Social Care	Contract Management – Carers Hub (Cfwd from 2016/17)	Amber	LIMITED	1	4	0	Sep-17
Adult Social Care	Health & Wellbeing Strategy (Cfwd from 2016/17)	Green	SUBSTANTIAL	0	0	2	Sep-17
Adult Social Care	Contract Management – Dementia Outreach (Cfwd from 2016/17)	Amber	LIMITED	2	4	1	Nov-17
Public Health	Contract Management – GP & Pharmacy Services (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	0	Sep-17
Public Health	Supplier Resilience (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	2	Nov-17
Public Health	Contract Management – Obesity (Cfwd from 2016/17)	Green	SATISFACTORY	0	6	1	Nov-17

Audits Completed Year to Date - 2017/18

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Public Health	Commissioning Governance (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	1	Nov-17
City Management & Communities	Food Safety (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	2	Sep-17
City Management & Communities	Registrar's Service (Cfwd from 2016/17)	Green	SATISFACTORY	0	3	4	Sep-17
City Management & Communities	Street Trading (Cfwd from 2016/17)	Green	SATISFACTORY	2	5	2	Sep-17
City Management & Communities	Commercial & Domestic Waste Enforcement (Cfwd from 2016/17)	Green	SATISFACTORY	0	5	1	Sep-17
City Management & Communities	Procurement Compliance – Youth Offending Service (Cfwd from 2016/17)	Green	SUBSTANTIAL	0	0	0	Sep-17
City Management & Communities	Libraries – Risk Management	Green	SATISFACTORY	0	2	0	Sep-17
City Management & Communities	Parking Permits	Green	SATISFACTORY	0	3	0	Nov-17
City Management & Communities	Sayers Croft – Outdoor Learning Centre	Green	SATISFACTORY	0	3	1	Nov-17
Corporate Services	Partnership Governance (Cross River) (Cfwd from 2016/17)	Green	SUBSTANTIAL	0	0	2	Sep-17
Corporate Services	HR - Pensions Administration (Cfwd from 2016/17)	Amber	LIMITED	2	0	1	Sep-17
Corporate Services	HR – Payroll (Cfwd from 2016/17)	Amber	LIMITED	9	1	0	Sep-17
Corporate Services	IT – Risk Management (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	0	Sep-17
Corporate Services	HR – Your Voice Survey (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	0	Sep-17

Audits Completed Year to Date - 2017/18

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

Additional Information on Audits (Main report – Paragraph 5.1)

Public Health:

1. Tri-b – Supplier Resilience

The Council is responsible for commissioning a range of Public Health Services including Sexual Health Services, School Nursing, NHS Health Checks and Substance Misuse. Whilst the delivery of these services may be outsourced, responsibility for the continued provision of them remains with the Local Authority. In the current economic climate, there is an increased risk that suppliers may fail which 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. This work should be supported by a monitoring process that provides early warning of supplier stress and establishes agreed processes for operating in the event of supplier withdrawal or failure. The importance of contingency planning is especially high where there is a direct link between suppliers and service or policy outcomes.

At corporate level, various documents have been issued in respect of supplier resilience and service continuity including:

- Supply Chain Resilience Shared Service Strategy Statement (2016);
- Service Continuity Plan Template and Guidance;
- How and Why Business Continuity; and
- Strategy for Supplier Resilience (2017).

In accordance with the requirements set out in the Service Continuity Guidance contract managers / service heads are required to assess the criticality of the services provided by suppliers within their area and determine what the priority rating of each service is. The Head of Commissioning (Adult Public Health) explained that the highly critical services within Adult Public Health are considered to be sexual health and substance misuse, but neither of these would fall into the top two priority categories. However, an assessment of service criticality/priority against all Adult Public Health contracts has not been undertaken formally to map all of Adult Public Health services against priority rating in accordance with the Guidance.

As part of a standard procurement process, officers evaluating the bids from suppliers are required to assess the financial stability of each supplier. In addition to the financial stability check, it is recommended that the supplier's business continuity arrangements are considered as part of the procurement process. However, suppliers were not required to submit a copy of their business continuity plans as part of the procurement process.

Through examination of the performance reports and discussion with the Head of Commissioning, it was evident that supplier's performance is scrutinised regularly and collaborative working relationship has been developed to assist the suppliers fulfil their contractual obligations. In addition to the performance data provided by the supplier, the Head of Service also receives alerts from CreditSafe to identify any suppliers that may be experiencing financial difficulties.

Two medium and two low priority recommendations have been made to strengthen controls, which have been accepted by management.

2. Tri-b – Commissioning Governance

The Council's Public Health vision is for all people in Westminster are able to be well, stay well and live well, supported by a collaborative and cohesive health and care system. The Public Health service has five Strategic Goals for 2017-19 are as follows:

- Children having a healthy start;
- Relevant and reliable health information is accessible and digestible which enables people to make informed decisions;
- Ensuring everyone has the opportunity to connect to society and give back;
- By ensuring people in need have access to services to prevent, address or manage key risk factors while ensuring families and society are protected from health harms; and

- Ensuring the physical environment is conducive using place shaping approaches to support healthy choices

The audit findings included:

- The service's Business Plan captures analysis of need and future demand and sets out the outcomes framework and Team Work Plan, defining how the team intends to achieve their objectives. The Head of Commissioning Adults Public Health is currently working on further developing the plan to include objectives, required actions and milestones to facilitate improved progress monitoring. The plan is to be reviewed every quarter with a quarter 1 review undertaken in July 2017;
- A Procurement Assurance Board (PAB) was established in January 2017 to oversee the procurement and commissioning activity across the three Councils (excluding Adult Social Care and Children's Service procurement which are overseen by the Commissioning and Contracts Board (CoCo));
- A Shared Service Procurement Code is in place setting out the framework of procurement and commissioning across the three Councils including approval requirements. Local scrutiny/approval requirements as set out in each Council's constitutions have been incorporated into the Code. PAB makes recommendations to the relevant approving bodies / officers / members in accordance with this Code;
- A pipeline tracker is maintained by the Head of Commissioning and is used to track the contract end date and status of each contract to help ensure that procurement activities are instigated promptly allowing sufficient time for options analysis, consultation and other activities to be completed. The Head of Commissioning also monitors that the gateway process is followed in a timely manner (where this is required);
- In addition to the pipeline tracker, the Head of Commissioning has introduced a project tracker template. A project tracker has been designed to capture an overview of each commissioning project including milestones, summary of work undertaken so far, plan for next period, risks and mitigations, and any decisions required. The project tracker is reviewed monthly by the Head of Commissioning and is used to assess resource requirement as the milestones across projects will assist in identifying any resource pressures. This tracker been piloted for substance misuse and sexual health and there is a plan to roll this out to the other projects;
- The Head of Commissioning attends service team meetings such as Tri-Borough Substance Misuse, Sexual Health & Offender Care Team meetings as well as Public Health Commissioning Team Meetings and provides updates to the services on the commissioning activities that are relevant to each service;
- The Head of Commissioning is also a member of the Public Health management team and reports on progress of commissioning activity to senior management within Public Health.

The audit took into account the various changes that have been introduced in the last 12 months to transform the Commissioning and Procurement function and to enhance the Governance Framework. Some of these changes need time to become fully embedded into both operational and management oversight processes. One medium priority recommendation has been made which has been accepted by management.

3. **Tri-b - Contract Management – Obesity Service**

Obesity in year six children is higher than the national average across all three councils. As part of the commissioning strategy an extensive review was conducted to assess obesity services across the three boroughs resulting in a report entitled "Child Obesity Prevention and Healthy Family Weight Services' Review Tri-Borough Public Health Service" being produced. Following a procurement exercise led by Westminster City Council (WCC), a three-year framework agreement, split into two lots, was awarded to MyTime Active with an option to extend for a further year. Both the Royal Borough of Kensington and Chelsea (RBKC) and the London Borough of Hammersmith and Fulham (LBHF) call-off services from the framework contract.

This audit reviewed the effectiveness of the Council's management and monitoring arrangements for this service and the key findings are summarised below:

- No policies or procedures setting out how the obesity contract monitoring processes should be operating were available;

- The three-year contract was originally due to commence on 1st April 2015 but there was a four-month delay and an agreement was reached by both parties that it would take effect from 1st August 2015 until 31 July 2018. This delay allowed the contractor, MyTime Active, more preparation time to engage with prospective schools and other stakeholders outside the school term time;
- Although an Annual Report for the service was available, this only covered the period 2015-2017 and did not therefore cover the final year of the contract;
- The contract management and monitoring arrangements were primarily based on quarterly meetings with the supplier but also included visits to the supplier's premises to examine feedback information from those receiving the service although no record of these checks were maintained;
- The MyTime Active policies and procedures examined during the audit were all out of date and although some had dates for review these had passed without any evidence that they had been checked. Additionally, the complaints document was not personalised and had no forward process for complainants that were still dissatisfied;
- Many of the target numbers for actions and interventions by MyTime Active had not been met at the time of the audit. The Commissioner advised that MyTime Active would get paid 80% for the training and set-up costs under Lot 1 but would not receive the other 20% under Lot 2 where the required number of participants had not been reached because Lot 2 of the contract is based upon 'Payment by Results';
- The contract is being funded from the ring-fenced Public Health budget.

Six medium and one low priority recommendations have been made and accepted by management to strengthen controls in this area.

Children's Services:

4. Schools

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

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

- St Clement Danes Primary School;
- Robinsfield Primary School;
- Westminster Cathedral School;
- Portman Early Childhood Centre;
- St Matthew's Primary School;
- QE II Special School;
- Tachbrook Nursery.

No significant issues were identified and the recommendations made will be followed up later in the year.

Growth, Planning & Housing:

5. Total Facilities Management (TFM) – Contract Management & Monitoring

From 1 October 2013 Amey commenced delivery of facilities management services across the Royal Borough of Kensington & Chelsea, Hammersmith and Fulham and Westminster City Council covering approximately 2000 buildings across the three councils. The contract runs for 10 years with an option to extend it by a further three years. The first year's cost was estimated to be £18.4m. Under the terms of the contract, Amey will deliver cost reductions totalling £12.5M over the original ten-year lifespan of the contract. This review considered the arrangements within the Link Team for managing Amey's performance within the shared services Total Facilities Management (TFM) contract. The review did not independently consider or comment on the works undertaken under the contract by Amey, only in so far as issues identified by Link which required action.

APPENDIX 2

The Head of Shared Services Facilities Management leads a staff of 13 in the LINK team whose primary function is management of the TFM contract and ensuring that Amey's performance matches the performance standards set out in the contract. Link's Senior Management Team provides strategic direction to the team, to monitor Amey's delivery of the TFM contract and to identify and manage the risks associated with Facilities Management (FM) across the shared service.

FM services provided under the contract range from building cleaning and maintenance to catering, portage and reprographics with a Help Desk is available 24 hours a day. All jobs are assigned a priority rating by Amey based on the rated urgency of the works/issue reported.

An annual Forward Maintenance Plan (FMP) budget is delegated to Amey and is used to pay for all the minor works (under £5k) to Category 1&2 buildings used in the provision of key Council services with any unused budget rolled forward to the next year. Amey's FMP performance is monitored by Link against 9 KPIs. Link's Projects Managers ensure that Amey applies tendering rules for obtaining competitive quotes and apply Link's agreed governance process for paying Amey for completed project work, while also sample inspecting the quality and value of works performed under the FMP.

The monthly payment to Amey comprise two components, a fixed fee for essential services provided to each borough under the contract. The variable element comprises of works Amey undertakes outside the fixed portion of the service and comprises mainly of minor works (projects costing under £5,000) and direct projects which are requested by Council Officers across the shared services for specific projects. Again these jobs are subject to sample checking by LINK team members.

The audit confirmed that the processes and procedures established by the Link Team for administering controls over management of the TFM contract with Amey are well established and administered by an experienced team of officers who demonstrate a very good knowledge of the service. Link's hierarchal structure with defined levels of authority ensures a good level of control and direction of the team. Clearly defined job descriptions for individual staff members gives an enhanced certainty that Link Officers are aware of their responsibilities within the team. Officers have assigned specialist roles for managing key areas of the contract and Amey's overall performance against the contract, such as project management for works delivered by Amey under the Forward Maintenance Plan and reviewing Direct Client works and monitoring compliance with pro-active landlord test requirements across the three estates (coverage as defined by the contract).

Link reports to the Strategic Operations Board on Amey's performance including the application of financial penalties applicable under the contract as a result of poor performance. A consultant is due to be appointed to review the methodology used by Link's Performance Manager to determine the financial penalties. The Terms of Reference for the consultant have yet to be agreed and at the time of the audit, RBKC's Director of Property Services and Amey's Chief Executive were due to meet to agree the way forward. The findings from the review of the methodology will be taken forward by Link and applied accordingly.

Link's monitoring arrangements have also identified concerns with Amey's management and evidencing of health & safety (H&S) compliance across the three estates. This has led to the appointment of an independent assessor to provide direction on the processes Amey should be following. Due to the importance of H&S compliance it is essential that Link manages Amey's implementation of the findings from the independent assessor in a timely manner ensuring the shortest possible implementation timeframe.

A report produced by Link in December 2016 was presented to the SPB highlighting Amey's historical and current performance problems. As a result of the issues raised, Amey produced a Transition Plan which was finalised in May 2017 to address Link's performance concerns. A Transition Board comprising senior managers from Link and Amey with formal terms of reference provides the governance of and strategic overview for Amey's implementation of the plan. An "Issues Tracker" was set up by the Link's Service Manager who monitors the progress of the compliance and H&S issues raised during their weekly meetings to completion although it was noted that each entry did not have a defined action or a RAG rating applied to it.

Amey co-ordinates meetings of the Buildings User Groups (BUG) for category 1 and 2 buildings across the tri-borough councils. Members of staff can contact their BUG panel member whose details are available on the TFM intranet pages to raise specific concerns. Amey's FM manager responsible for the relevant building attends these meetings so any performance issues can be raised directly. It was noted that the annual Stakeholder Report (issued in December 2016) did not contain implementation dates for recommendations contained in the Report. In addition, it was noted that the Link's Risk Register had not been updated recently and mitigating actions had not been identified in some high risk areas.

The review confirmed that governance arrangements comply with the contract's requirements. Strategic control is delivered via the Strategic Partnership Board (SPB) which meets quarterly. Operational oversight is provided by the Service Operations Board (SOB) which meets monthly. The frequency and composition of board meetings was confirmed through inspection of Board minutes held on Link's SharePoint.

Link's management of both Minor works (under £5k) and projects over £5k is working to the level required. Current project management processes have been developed and enhanced by Link over the last four years of the contract to ensure a good level of governance over projects delivered by Amey. These include quality inspections which have identified issues with the quantity and quality of works undertaken on some jobs. Testing confirmed that value for money is obtained via a tender process where the estimated cost of a project is over £5K. Testing also confirmed that an approved Single Tender Action report is used to justify the reasons where Amey does not obtain more than one tender where a pre-tender estimate of over £5k would normally require three or more bids.

The control over payments to Amey for the fixed elements of the contract are satisfactory however, the payment procedure for the fixed monthly costs revealed issues relating to the change control process which allows alterations to the fixed fee portion of the monthly payment, depending on the levels of service provided by Amey to Council buildings with only 20% of the 196 proposed change requests raised over a fourteen-month period had been reviewed and approved.

The complaint management process is working satisfactorily with complaints tracked and checked by the Performance Manager (PM) to ensure Amey complies with the stated timeframe for acknowledging and formally responding to each complaint. Where Amey fails to adhere to the stated timeframe, the PM calculates a failure rate which is then applied to the weighted KPI score.

Link has developed an escalation process allowing users to progress a complaint if it is not resolved satisfactorily by Amey although the escalation tracker indicated that a number of complaints did not indicate the date that they were closed.

Two high, three medium and three low priority recommendations have been made which are being implemented by management.

6. CityWest Homes – Acquisitions & Disposals of HRA Property

As part of the 30-year Housing Revenue Account (HRA) Business Plan and Asset Management Strategy approved by Cabinet, members approved the disposal of non-performing stock in accordance with the Asset Management Strategy, with approval for disposals delegated to the Strategic Director of Housing and Property. Additionally, it was agreed that capital receipts generated through an active management strategy be ring-fenced to housing renewal and new supply programmes. CityWest Residential, an estate agency that is part of CityWest Homes, have been commissioned to identify non-performing stock and potential acquisitions, with recommendations put forward to the Strategic Director of Housing and Property for approval. At the time of the audit, since April 2016, there have been 17 newly acquired properties and 27 properties were disposed of. The value of newly acquired properties range from £210,000 to £643,000 and the value of disposed properties vary from £265,000 to £620,000.

The main audit findings are summarised below:

- CityWest Homes have procedures on the acquisitions and disposal of properties within the borough which include the roles of Council officers in the process. CityWest Homes also have procedures on steps to follow when acquiring property outside of the Borough. The documents were all last reviewed in 2017;

- Staff employed by CityWest Homes are given the opportunity to declare any potential conflicts of interest at the initial stage of hiring. However, the procedures do not state that staff are required to declare any conflict of interest should they arise in the property transactions they are involved in.
- The HRA Business Plan and Asset Strategy states that "Disposal criteria will also be reviewed annually and, if changes are required, approval will be sought from the Cabinet Member for Housing." However, an annual review of the disposal criteria had not been undertaken;
- The HRA Business Plan and Asset Strategy review in May 2013, found that there was a disparity between the types of housing currently in stock and the type of housing that is in demand. This was used as a basis to form the policy on which types of housing would be disposed of and purchased by the Council;
- The Asset Investment Manager outlines the necessary parameters for new acquisitions to the Building/Acquisitions Surveyor. These parameters include: the size of the unit, the location, the price the property is advertised for in the open market;
- When purchasing a property, a Market Value Report is produced by an independent surveyor to determine the value of the property. A New Supply Property form is then completed by CityWest Homes and sent to the Growth, Planning and Housing Service. Two senior members of staff within the service sign-off the form;
- Once the New Supply Property Form is signed, this is then sent to the Legal Team for review and processing. A CHAPS request form is also sent to Legal to make the payment for the property. The Director of Housing and Regeneration and the signatory from the Legal Team both sign the form to ensure that approval has been granted for the payment to be made. A memorandum of purchase is also attached to this document which is also signed by the Director of Housing and Regeneration and the Legal Team.
- The HRA Business Plan and Asset Strategy sets out the criteria to follow when evaluating which properties to dispose of. A Disposal Decision Assessment is carried out by CityWest Homes and the Disposal Decision Report considers each of the disposal criteria. The Council has two stage of approval for a property to be disposed of. Initially the Director of Housing and Regeneration has to approve for the property to be valued and put on the market and the Director will also then approve the final sale of the property. An independent organisation provides the valuation service under an agreement with CityWest Homes. Once a buyer has been found, a Memorandum of Sale is produced which sets out the conditions of the sale. This is signed by both the Council and the buyer;
- Acquisition and disposal of property is a standing item on the Agenda for the Asset Management Committee. Regular meetings also take place between the Cabinet Member for Housing, senior management at CityWest Homes and the Council - the ALMO Performance, Governance and Strategy Cabinet Member meeting. The meeting gives CityWest Homes an opportunity to update the Council on any developments and a review of CityWest Homes' performance.

Three medium and two low priority recommendations were made to improve controls which have been accepted by management.

City Management & Communities:

7. Parking Permits

Parking Permits are issued in order to ensure that residents and businesses only park in allocated zones. The use of parking permits allows residents and businesses to hold priority over parking bays and prevents parking congestion. There are a number of different permit types within Westminster City Council (WCC) including:

- Business Permits;
- Councillor Permits;
- Resident Permits issued to Diplomatic Staff/Diplomats;
- Doctors Permits;
- Hospital Staff Permits;
- Resident Permits;
- Skip Licence Permits;

- Teacher Permits;
- Trades Permits;
- Blue Disabled Badges and White Disabled Badges.

In 2016/17 76,393 permits were issued. There are approximately 42,000 parking bays. Consequently, pressure on parking in WCC is high. The cost of permits ranges from £0 for resident low emissions permits to £141 for high emissions vehicles resident permits. The administration of parking permits is managed by an external contractor (NSL).

The Performance of the contractor (NSL) is measured against a set of KPIs to ensure that they are acting in line with the contract and working towards achieving the aims of the service and audit testing confirmed that KPIs were in place and were being measured.

The service has a set of business rules for each type of permit. These set out the objectives of each type of permit and the process for applying for and administering these permits. A review of the Residential Permits Business Rules noted that some areas are out of date.

The process for reviewing applications and issuing permits is dependent on the type of permit. Different permits require different documentation to confirm eligibility. Where a change is required the customer is required to submit a change request and evidence of the change (unless it is a temporary change). Sample testing covered new permit applications, renewal applications and permit changes and reviewed whether in all cases:

- an application form was completed or an online request was received;
- relevant information as per business rules was provided;
- the correct amount was charged as per the charging schedule;
- the details were accurately added to the system; and
- a response was made to the applicant within 3 working days.

There was only one instance of non-compliance identified from the testing and the service confirmed that NSL has a system of spot checks in place by to identify issues like this;

It was noted that permits are not always returned following a change to the permit. The Service Readiness Officer confirmed that it is preferable that the permit be returned and it is written in the conditions but they recognise that a lot of individuals simply throw the old permit away and the system is set up in such a way as that parking officers would easily identify if the old permit was being used on-street via their handheld devices.

Monthly monitoring meetings take place between the Council and NSL with action points identified from these meetings. The NSL monthly spot checks of processing identifies any errors which are fed back to employees. If there are regular issues raised for particular staff members, these are raised in one to ones with staff.

A report from the parking system (Insight) is run daily and payments are separated into payments made for permits and refunds. All transactions are recorded onto a Finance report which is sent to the Parking Commercial Officer for review. Discussions with the Parking Commercial Officer indicated that the details of the reports are used for budget monitoring purposes. A review of 'bounced' cheques and chargebacks indicated that there are not many of either, with the majority being charge backs. A review of the report of all chargebacks confirmed that action is taken when there is a chargeback and where the money is not paid by the customer, the permit is cancelled.

An external contractor responsible for printing and storing permits (MBA). The permits exhibit security features which minimises the risk of them from being copied. No independent physical reviews of MBA's processes are undertaken by the Council.

Three medium priority recommendations have been made to improve controls which have been accepted by management.

8. Sayers Croft Outdoor Centre

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Sayers Croft is an outdoor learning centre located in Surrey, owned by the Council. The Centre hosts 12,000 visitors annually, from a variety of sources. The majority of visitors to the Centre are from primary schools and activities and facilities provided are aimed at children of this age range. There are 56 acres of woodlands, meadows, ponds and fields, as well as a professional instructor to design the visit, lead sessions and host the stay. The Centre also provides self-contained accommodation on site with classrooms, internet access, laptops and projectors available to use in the dormitory classrooms. The Head of OLU reports to the Director of Community Services.

The 2017/18 fee schedule for the Centre has been approved by Cabinet. Fees vary depending on week, type of School (Westminster or out of borough), and whether the booking is full or half-week. From a sample of five weeks, it was confirmed that the fees charged were in accordance with the approved schedule.

The Centre regularly asks Schools whether the experience was value for money and uses this information to assess its fee levels. Furthermore, the Centre is currently conducting research on customer retention rates to identify any trends. However, beyond this, competitive market analysis or benchmarking has not been performed for at least the past five years.

Bookings are reviewed by the Deputy Head along with the Admin Assistant responsible for making bookings every two months.

The Centre has recently introduced a tuck shop to generate income. Cashing up occurs daily at the end of each shift, and the money is stored securely. Cash is re-counted and reconciled to the cash till receipt total the following morning by the admin staff, however, records are not kept and as such, we were not able to verify that reconciliations took place. In addition, there are currently no stock takes to confirm that depletion of stock is in line with income received.

The Centre has access to the Council's Financial Regulations. It also has its own local financial procedures which are largely in line with the Council's procedures, however, we were informed that there are minor gaps that are currently being addressed to bring them in line with the Council's processes.

Clear audit trails were available for income records and income due to the Centre is monitored regularly and outstanding income chased appropriately. Outstanding debt is reported through period end processes and escalated through the City Management & Communities financial monitoring arrangements and management channels.

Expense claims were authorised by a manager, and all had valid supporting receipts and the purchasing process had an adequate separation of duties between placing the order, approval, goods receipt and payment. Testing identified one expenditure transaction which was over £10k relating to planned repairs and maintenance where no evidence was provided that two additional quotes had been obtained.

There are two Purchasing cards on-site used by the Head and Maintenance Manager. Purchases are reported through the card provider and transaction reports are independently reviewed.

The Centre was recently assessed and certified as compliant with Occupational Health and Safety Assessment Series (BS OHSAS 18001) in April 2017. The Centre holds various activities such as high ropes. Activities are risk assessed and safety guidance procedures are accessible to staff and guests on the website via logins. The Centre has also been accredited with a Quality Badge by the Council for Learning Outside the Classroom (LOtC) which covers both learning and safety and is valid until February 2019. All staff are required to be DBS-checked within the past three years and sample testing confirmed that this requirement was complied with. Regular performance management meetings take place between the Head and Director of Community Services with meetings minuted and actions recorded appropriately.

Three medium and one low priority recommendations were made to enhance the controls at the centre which have been accepted by management.

City Treasurer

9. Procurement Cards

Procurement cards are designed to facilitate purchases where it is not reasonable or practical to raise purchase orders through Agresso, for example purchases not available as catalogue items or the supplier is not set up with a contract because the purchases made by the Council are too small and ad hoc to merit a procurement. It is expected that goods /services purchased will be low in value. Card limits are set individually, according to the request set out in the card application form which is approved by the individual's budget manager. Procurement cards allow the Council to purchase high volume, low value goods and services with relatively low risk and reduces the number of small value invoices received by suppliers as well as reducing the number of personal expenditure claims from staff.

Currently the Council has approximately 295 active procurement card users. Expenditure on procurement cards during the 2016/17 financial year totalled £843,396 against an overall Council spend via Agresso of approximately £850 million. As expenditure is retrospectively approved by budget managers, cardholders need to ensure that any spend incurred is in accordance with the Council's rules and regulations.

The audit identified that the Council's Procurement Card Policy had not been updated since 2013. In addition, there is no feature as part of the Council's leavers process to notify the Procurement Card Team so that they can ensure that any procurement cards can be cancelled in a timely manner.

Compliance by cardholders for submitting monthly returns and coding expenditure by the due date was good. A quarterly audit is completed by the Procurement Card Team to ensure that cardholders are compliant with procedures although this was only completed twice last year due to pressure on resources. On a periodic basis, a checking exercise is completed to review the cardholders and how much each cardholder is spending on an annual basis. The review includes details of whether a card is necessary for some cardholders. From the sample of cardholder transactions reviewed one cardholder was identified as not having used their card in the past 12 months and the card was cancelled as a result of this finding.

Four medium and one low priority recommendations have been made to strengthen controls which are being progressed by the Procurement Card Team.

Corporate Services**10. Tri-b – MS – Data & Information Security**

The Enhanced Intelligent Client Function of the BT Shared Service (representing LBHF, RBKC and WCC) commissioned this audit of the BT Shared Service Centre (BT SSC) to test the adequacy of its systems, procedures and employees with respect to their capacity to protect BT and the Councils from data breaches. The audit was prompted by: data breaches at the BT SSC arising out of its processing of personal data; the responsibility of the councils to ensure that BT is taking reasonable steps to comply with the security measures that it is required to have in place both by its contract and current legislation; and as part of the Councils' preparation for the implementation of the General Data Protection Regulation in May 2018.

Under the terms of the Framework Agreement with BT, the Councils are the Data Controllers and BT is the Data Processor. Data Controllers are responsible for ensuring that their processing complies with the Data Protection Act whether they do it themselves or engage someone to do it on their behalf. The Information Commissioners Office (ICO) and the Government have indicated that it is likely that the UK will retain provisions equivalent to the GDPR in whole or in part following Brexit. The Data Protection Bill, which has recently been introduced in September 2017, will assist with this alignment. However, organisations will need to comply with the EU legislation for so long as we remain members after May 2018.

One major area of change within the GDPR is the requirement that data controllers and data processors will both be responsible for being able to demonstrate compliance with the new standards. Under DPA, controllers are generally held responsible and liable for the actions of those who they select and appoint to process personal data on their behalf and there is much evidence of controllers being fined for breaches emanating from their processors. This changes under GDPR, with processors now also being responsible and accountable for compliance and subject to regulatory action. So a data processor must be sure that a

data controller instructing it to process data has lawfully obtained the minimum of personal data for specific, explicit purposes. This liability will certainly encourage processors to perform enhanced due diligence of controllers prior to taking on work, and will also require the review and update of existing contracts in the areas of warranties and indemnities.

The ICO can issue monetary penalties and has done so in the cases of a number of local authorities. The ICO can also issue enforcement notices requiring an organisation to stop doing something or requiring it to take steps to comply with the law. The changes that will be enforceable under GDPR for non-compliance will see fines increasing to a maximum of €20 million or 4% of annual global turnover – whichever is larger.

Information Security Management System (ISMS) Review

BT SSC confirmed that they have a comprehensive ISMS / Security Management Plan and this is supported by a recently updated audit of its ISO27001 Certification which occurred in February 2017. The ISMS is regularly updated and an action plan has been created by the Information Security Manager to ensure that meetings with internal key staff occur and produce the required evidence to demonstrate compliance with the standard.

For its externally hosted IT infrastructure, BT SCC utilise a 3rd party agreement with another company who are a specialised global full service technology solutions provider who host an ISO27001 certified, tier 3 compliant Data Centre.

Technical security measures to protect computerised information are of obvious importance, however, it is important to note that many security incidents relate to human error, the theft or loss of equipment, or to old computers or hard-copy records being abandoned. We verified that the level of physical security was acceptable at both BT SCC office sites that we visited in South Shields.

Standard Operating Procedures (SOP) & Local Working Instructions Review

During the course of our meetings on site, we reviewed a number of Standard Operating Procedures (SOP's) and Local Work Instructions (LWI's) and confirmed that they adequately addressed confidential data and personal data security. We identified that SOP's are used as a high level process map and LWI's are more of a user guide or step by step process list for staff to follow. It was clear that there was a very good understanding of the guidance available and it was commented upon that during training events lessons learned are incorporated to demonstrate the importance of utilising standard processes to minimise potential breaches. However, we were informed that there was currently no LWI for the payroll process.

Employee Understanding and provision of training / guidance.

Whilst interviewing staff and conducting our visit, we confirmed that a very good level of training and guidance is provided to all staff, around data privacy issues. Bespoke training sessions have been facilitated and data breaches and the management of process reviews are all a key part of this training.

The ICO details the importance of staff understanding their roles and responsibilities around protecting personal data and links it to Principle 7 of the Data Protection Act.

Mandatory induction training is provided with training tailored to specific levels depending upon the roles of the new starter. We noted that the training is regularly updated and recent incidents are discussed to ensure that staff are aware that issues can occur in their area and that lessons have been learned regarding incidents and updates to local processes and procedures to help ensure that repeat incidents do not occur. Approximately 115 staff have been trained. Mandatory BT refresher courses on Data Protection and Information Security are enforced for all staff every 12 months. The training material used is a condensed version of the induction training, but utilises up-to-date details around recent incidents.

Review of Data Breach Management

It is important to note that, although the Councils utilise the services of BT SCC as a third party data processor in order to process personal data on their behalf, the Councils will be held accountable (and not BT SCC as the data processor) under the Data Protection Act, for any issues that arise should a breach of the regulations in respect of personal data occur.

We reviewed a sample of 4 recent breaches that have occurred during the current contract, to establish how each breach was identified and what analysis was undertaken to identify the root causes of the breach. We also reviewed what corrective action was taken to prevent similar breaches from recurring and what action was taken to apply lessons learned from the breach. This involved the review of processes and implementation of new working practices or temporary solutions. We were advised that all recommendations made as part of the incident investigation process for the samples reviewed had been implemented although two issues were identified which needed additional action:

In response to the recent data breaches, a new process and template has been developed by BT SCC to capture information from multiple locations and hold it centrally within the ServiceNow system - the helpdesk facility which is used for logging first contact issues. This facility is now utilised to convert calls into an incident which is assigned to an individual as manager and all actions are auditable. The system ensures that specific key fields are mandated as required, in order to standardise the reporting, this includes the option of a specific security incident tick box. There currently isn't a meeting that includes both sides to discuss issues in an open and clear forum and it was identified that the key line of communication regarding the specifics of each historic data breach investigation had been reduced to email / telephone conversations, rather than a jointly managed work stream and we noted that communication during recent incidents hasn't gone smoothly and both sides have indicated that the investigation and reporting process isn't as cohesive as will be required under the strengthened GDPR requirements. It is vital that an agreement is reached that facilitates the regular update and reporting of security breaches which meets the requirement of the contract and provides both parties with a means ensuring that the causes of those breaches are understood, resolved and embedded in policies, systems and procedures. BT SCC have recently undergone a significant reorganisation of its departments and key management contacts and responsibilities have changed. We were advised that the main reason that this had been implemented was to assist the organisation in breaking down silos and helping to bring the team together.

The ICO have provided updated guidance on the use of Privacy by design – which promotes the use of privacy impact assessments for major changes in service/process design to ensure that privacy and data protection compliance are considered at the outset of a project and not added afterwards. We were informed that only one major change in service design had occurred in the last year, and this was in specific response to information security requirements to ensure that the organisation no longer recorded credit card details of citizens. A service provided by a third party utilising a system for acceptance of credit card payments has been implemented.

Currently, organisations are not mandated to report certain kinds of Data Breaches. However, the GDPR will introduce a duty on all organisations to report certain kinds of data breach to a relevant supervisory authority, and also in some cases, organisations will be required to notify the individuals affected. Notification to the relevant supervisory authority will only apply if a breach is likely to cause a risk to the rights and freedoms of individuals. If unaddressed such a breach is likely to have a significant detrimental effect on individuals. This has to be assessed on a case by case basis. Breaches can be more than simply losing personal data; the ICO definition also includes a breach of security that leads to the destruction, loss, alteration, unauthorised disclosure of, or access to, personal data.

One high, two medium and one low priority recommendations have been made to improve controls in this area which have been agreed for implementation.

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 7) Full year target = 90%	54%	47%	Below target - a number of audits due to be issued with some delays in final aspects of the fieldwork which is being addressed.
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	86%	Below target – focus on improvement in this area.
Percentage of audits finalised within 10 days of a satisfactory response	95%	100%	
Percentage of jobs with positive feedback from client satisfaction surveys	90%	100%	19 received average score 4.2 (where 5 is the top score)
Percentage of recommendations implemented or in progress	95%	100%	YTD 122 out of 122 recommendations.