



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	23 April 2018
Classification:	For General Release
Title:	Internal Audit 2017/18 – Progress Report (January to March 2018)
Wards Affected:	All
Financial Summary:	The Council's budget
Report of:	Steven Mair, City Treasurer (Section 151 Officer)
Report author:	Moira Mackie, Senior Manager; email: moira.mackie@rbkc.gov.uk Tel: 020 7854 5922

1. Executive Summary

- 1.1 The work carried out by the Council's Internal Audit Service in the reporting period found that, in the areas audited, internal control systems were generally effective with 12 positive assurance reviews (substantial or satisfactory) being issued in the period, although three 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 three audits confirmed that the implementation of recommendations has been effective with the majority (87%) of recommendations fully implemented at the time of review.
- 1.3 Internal Audit's performance for the period was slightly below target for one indicator (timely issue of the draft report following the completion of the fieldwork) but it is anticipated that this will improve in the coming year.
- 1.4 The Appendices to this report provide the following information:
 - **Appendix 1** Audit reports finalised in the year to date, showing the assurance opinion and RAG status;
 - **Appendix 2** - Additional information on the audited areas;
 - **Appendix 3** - Performance Indicators.

2. Recommendation

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

3. Background, including Policy Context

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

4. Internal Audit Opinion

- 4.1 As the provider of the internal audit service to Westminster City Council, the Tri-borough Director for Audit, Fraud, Risk and Insurance is required to provide the Section 151 Officer and the Audit & Performance Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. In giving this opinion it should be noted that assurance can never be absolute. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.
- 4.2 The results of the audit reviews undertaken in the reporting period concluded that generally systems operating throughout the Council are satisfactory, with 12 positive assurance (substantial or satisfactory) reviews being issued in the period.
- 4.3 Three limited assurance reports have been issued:
 - Corporate Services (HR) - Payroll;
 - Corporate Services (HR) – Absence Management;
 - Corporate Services – Supplier Resilience.

The details of these audits are contained in paragraph 5.1.1. to 5.1.3.

- 4.4 Two of the limited assurance audits relate to HR systems currently provided through the BT Managed Service which is due to be replaced during 2018/19. Recommendations from these audits are therefore focused on issues to be considered by the Council during the transition from the BT system to the Hampshire County Council (HCC) solution.
- 4.5 The HCC service which will be replacing the BT Managed Service relies on managers as the key control for a number of processes that would have previously been managed and overseen by HR and/or Finance. The Council has therefore been

engaged in a number of workshops with HCC to review how the Council's processes align with those of HCC any to identify any gaps where the Council will need to modify their existing processes to fit with those provided by HCC.

5. Audit Outcomes (January to March 2018)

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

Audit	Assurance	RAG
CHS Special Educational Needs (SEN) Provision	Satisfactory	Green
CHS Queens Park Primary School	Satisfactory	Green
CS (IT) Cloud Computing	Satisfactory	Green
CS (HR) Payroll	Limited	Amber
CS (HR) Absence Management (still a draft)	Limited	Amber
CS Supplier Resilience (still a draft)	Limited	Amber
CMC Prevent Strategy	Satisfactory	Green
CMC Highways Contracts	Satisfactory	Green
CMC Code of Construction Practice	Satisfactory	Green
GPH Apprenticeships in Procurement & Development (still a draft)	n/a	n/a
FIN Accounts Payable	Satisfactory	Green
FIN Pension Investments	Satisfactory	Green
FIN Accounts Receivable	Satisfactory	Green
FIN Council Tax	Substantial	Green
FIN Income Manager	Satisfactory	Green

Further information on these audits is contained in Appendix 2.

5.1.1 Corporate Services (HR) – Shared Service Payroll (Amber)

The payroll service is delivered through the BT Shared Service Centre supported by the Framework Intelligent Client Function (ICF) and the retained HR teams within each Council. The retained HR teams are available to provide managers with support on certain HR and payroll related matters across each Council although the bulk of these issues should be directed in the first instance to the BT Shared Service. The system used by BT is Agresso which is an Enterprise Resource Planning (ERP) system which delivers a standard transactional solution for HR (including Payroll), Finance and Procurement functions across the three Councils with hierarchy based workflow and self-service for end users. As a managed service provider BT has responsibility for managing, maintaining and delivering related support services such as the help desk through the BT Shared Service arrangements.

This audit reviewed the effectiveness of controls and processes in place to ensure that the councils' payroll systems in respect of new starters, leavers, variations to pay, standing data and management performance are managed appropriately and that payments made to employees through the payroll are administered, processed and approved in accordance with each Council's rules and regulations. In addition, the available procedures and guideline documents were reviewed.

From various payroll data provided by BT for all three Councils, a suite of tests and analytical processes was applied to the data using audit specialist software to highlight potential indicators of control weaknesses and erroneous transactions. The results from the data analytics reports were used to focus audit testing.

The audit identified that the following controls were in place and operating effectively:

- Updated procedure and guidance notes are available for users under the Service Now / Knowledge Base / Learning Guide portal which provide comprehensive desktop guidance on how to undertake key payroll and HR related tasks;
- Various self-service reports and functionality has been built into the Agresso application which enable line managers to view payroll and HR information and data for those employees that they are responsible for;
- The workflow enables appropriate authorisation and escalation of payroll related requests in accordance with the organisational hierarchy and approval profiles across the three Councils; and,
- Performance monitoring reports for the BT managed payroll services are produced and monitored by the ICF. Additionally, appropriate arrangements also exist to manage the risk of any decline in performance as the BT contract approaches its conclusion.

However, a number of areas were identified where controls were not considered to be effective:

- The absence of supporting documentation and records on Agresso for payroll transactions meant that the audit trail was either incomplete or missing. This limited the audit checks that could be undertaken on payroll records and their accuracy and consequently the integrity of payroll transactions could not always be confirmed. The retention of supporting documentation and maintaining an audit trail for payroll transactions on Agresso by BT was previously raised in the 2016/17 payroll audit and appropriate recommendations made to address this issue. It was, however, noted that there has been an improvement in compliance in this area since the previous audit;
- Due to the incomplete audit trail within Agresso, reliance cannot be placed on the accuracy of the data recorded for starters and leavers or the appropriate level of approval for variations to pay; and,
- Due to the number of omissions noted on the standing data held in Agresso, the accuracy and completeness of this data could not be validated.

It was noted that limited progress has been made with implementing the recommendations made in the 2016/17 audit of payroll. Of the nine high priority

recommendations made in the previous audit, four had not been fully implemented (all of which relate to maintaining an adequate audit trail for starters, leavers, variations to pay and standing payroll data). It should be noted that some of the weaknesses identified need to be addressed by line managers and employees who are responsible for requesting changes on Agresso through the self-service process. The system that will replace Agresso is even more reliant on employee and manager self-service and the need for compliance with processes needs to be addressed as part of the implementation of the new system.

Four high and one medium priority recommendations have been made to address the weaknesses identified. The Framework Intelligent Client Function has confirmed that it will review and address the findings of the audit with BT as well as liaising with the retained HR teams to consider any further actions which can be taken to improve data integrity.

5.1.2 Corporate Services (HR) – Absence Management (Amber)

As mentioned in paragraph 5.1.1 above, the Council uses the Agresso system to manage a number of HR functions including Absence Management. The system for recording absence is primarily self-service whereby employees are required to record their own absence information, although certain functions are reserved for management to complete. The principal objectives of the audit were to ascertain whether:

- absences are being appropriately recorded on Agresso by employees and managers in a timely manner;
- systems are in place to detect and investigate incomplete or incorrect information;
- Agresso functions in the intended manner, by applying the rules relevant to each Council and processes the absence information correctly; and,
- employees have received payments to which they are not entitled.

The audit involved contacting line managers to verify the accuracy of information contained on Agresso and the following was identified:

- Where there were inaccuracies with the sickness or absence leave information on Agresso, in a number of cases, this had only come to the attention of the managers through the audit process which indicates that managers are not regularly reviewing Agresso for accuracy and completeness;
- Managers were using a variety of methods to correct errors and inaccuracies in sickness and annual leave records that they were aware of, some of which were not in accordance with the agreed process;
- Some managers were unsure of how to effectively escalate issues when their initial requests for amendments to errors had not been effective;
- Several managers experienced difficulties in initiating and terminating long term absences;

- Some managers admitted that they did not use Agresso for recording leave absences as they did not think it had the functionality to deal with the absence; and,
- Some managers stated that they maintained separate records of leave as they lacked confidence in the Agresso system.

The overall assessment arising from the audit was that the Agresso system was not being used properly to record staff absence which undermines the completeness of the absence details held on Agresso. Although, some problems with the functionality of Agresso were experienced when it was first implemented, the processes for recording absence are clearly documented and it is the responsibility of employees and their managers to comply with these processes.

Three high and three medium priority recommendations have been made which are focused on those areas of non-compliance by employees and managers which need to be addressed by the Council when implementing the new SAP system during 2018.

5.1.3 Corporate Services – Procurement: Supplier Resilience (Amber)

The Council holds approximately 560 contracts with over 350 different suppliers and a combined total lifetime value of just under £1.97 billion. These suppliers provide a variety of services across all Council departments, ranging from critical services such as waste collection through to less critical ones including printing services.

Although the delivery mechanism for these services may be outsourced, responsibility for the service remains attached to the local authority. As a result of this, all contracts require adequate management and monitoring of the supplier, to ensure continuity and satisfactory performance of the services provided.

The current economic climate and the continuation of reduced Council budgets will have significant implications across the entire supply chain. As the configuration of supply chains changes, Local authorities must adapt their own capabilities, cultures and processes to reflect this. Local authorities must prepare for business critical supplier failure by identifying operational and strategic interdependencies and areas of reliance between parties.

They must also understand the likelihood of supplier failure through market analysis, credit rating data and intelligence through less formal networks such as supplier forums. 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.

The controls in place with regards to resilience were found to be satisfactory; however, a significant degree of non-compliance with these procedures was

identified. Managing supplier resilience in the Council is decentralised to a large extent and consideration should be given to whether greater assurance should be obtained that departments are complying with the Council's requirements with regards to supplier resilience. It should be noted that at the time of this audit, a report was submitted to the Council's Executive Management Team which outlined a proposed approach to improve Contract Management and provide increased assurance for the Councils contracts. The report was approved in late September 2017 and will be delivered as part of a Contract Management Development Programme during 2018/19.

5.2 Implementation of Audit Recommendations

Three follow-up reviews were undertaken in the period (January to March 2018) which confirmed that 87% 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		
CS – IT – Security Incident Management	2			2			0			0		
CMC – Registrar Service	7			5			2			0		
CHS – All Souls Primary School	6			6			0			0		
Total	15			13			2			0		
Priority of recommendations	H	M	L	H	M	L	H	M	L	H	M	L
	0	7	8	0	6	7	0	1	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:

Moira Mackie on 020 7854 5922

Email: Moira.Mackie@rbkc.gov.uk

Or

David Hughes on 020 7361 2389

Email: David.Hughes@rbkc.gov.uk

BACKGROUND PAPERS

Internal Audit Reports;
Monthly monitoring reports.

Audits Completed Year to Date

Audits Completed Year to Date - 2017/18

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

Audits Completed Year to Date - 2017/18

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Children's Services	St Mary of the Angels Primary School	Green	SATISFACTORY	0	4	4	Feb-18
Children's Services	College Park Special School	Amber	LIMITED	1	7	4	Feb-18
Children's Services	Special Educational Needs (SEN) Provision (Cfwd from 2016/17)	Green	SATISFACTORY	1	2	0	Apr-18
Children's Services	Queen's Park Primary School	Green	SATISFACTORY	0	2	8	Apr-18
Growth, Planning & Housing	TMO Odham's Walk (Cfwd from 2016/17)	Amber	LIMITED	2	10	7	Sep-17
Growth, Planning & Housing	Energy Performance of Buildings Directive (Cfwd from 2016/17)	Green	SUBSTANTIAL/ SATISFACTORY	2	2	1	Sep-17
Growth, Planning & Housing	Lessee Charges (Cfwd from 2016/17)	Green	SATISFACTORY	0	3	1	Sep-17
Growth, Planning & Housing	Gas Servicing (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	1	Sep-17
Growth, Planning & Housing	Total Facilities Management (TFM) Contract Management (Cfwd from 2016/17)	Green	SATISFACTORY	2	3	3	Nov-17
Growth, Planning & Housing	Millbank Estate Management Office (MEMO) (Cfwd from 2016/17)	Amber	LIMITED	10	8	5	Nov-17
Growth, Planning & Housing	CityWest Homes – Acquisition & Disposal of HRA Properties	Green	SATISFACTORY	0	3	2	Nov-17
Growth, Planning & Housing	Apprenticeships in Procurement & Development	n/a	N/A	0	6	0	Apr-18
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

Audits Completed Year to Date - 2017/18

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Adult Social Care	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
Adult Social Care	Homecare (Cfwd from 2016/17)	Green	SATISFACTORY	0	6	1	Feb-18
Adult Social Care	Accounts Receivable (Cfwd from 2016/17)	Amber	LIMITED	3	4	1	Feb-18
Public Health	Contract Management – GP & Pharmacy Services (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	0	Sep-17
Public Health	Supplier Resilience (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	2	Nov-17
Public Health	Contract Management – Obesity (Cfwd from 2016/17)	Green	SATISFACTORY	0	6	1	Nov-17
Public Health	Commissioning Governance (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	1	Nov-17
City Management & Communities	Food Safety (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	2	Sep-17
City Management & Communities	Registrar's Service (Cfwd from 2016/17)	Green	SATISFACTORY	0	3	4	Sep-17

Audits Completed Year to Date - 2017/18

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
City Management & Communities	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
City Management & Communities	Waste Disposal Contract Management	Green	SATISFACTORY	0	2	0	Feb-18
City Management & Communities	Parks & Opens Spaces Contract Management	Green	SATISFACTORY	0	3	1	Feb-18
City Management & Communities	Parking – Business Technology Contract Management	Green	SATISFACTORY	0	3	0	Feb-18
City Management & Communities	Prevent Strategy	Green	SATISFACTORY	0	1	0	Apr-18
City Management & Communities	Highways Contracts	Green	SATISFACTORY	0	6	2	Apr-18
City Management & Communities	Code of Construction Practice	Green	SATISFACTORY	0	5	1	Apr-18
Policy & Communications	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

Audits Completed Year to Date - 2017/18

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Corporate Services	HR – Payroll (Cfwd from 2016/17)	Amber	LIMITED	9	1	0	Sep-17
Corporate Services	IT – Risk Management (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	0	Sep-17
Corporate Services	HR – Your Voice Survey (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	0	Sep-17
Corporate Services	Managed Services – Data & Information Security	Green	SATISFACTORY	1	2	1	Nov-17
Corporate Services	IT – Asset Management & Disposal (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	2	Feb-18
Corporate Services	IT – Mobile Device Security (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	0	Feb-18
Corporate Services	HR – Occupational Health	Green	SATISFACTORY	0	2	5	Feb-18
Corporate Services	IT – Cloud Computing (Cfwd from 2016/17)	Green	SATISFACTORY	0	6	0	Apr-18
Corporate Services	HR - Payroll	Amber	LIMITED	4	1	0	Apr-18
Corporate Services	HR – Absence Management	Amber	LIMITED	3	3	0	Apr-18
Corporate Services	Supplier Resilience	Amber	LIMITED	3	2	1	Apr-18
City Treasurer	Accounts Payable (Cfwd from 2016/17)	Green	SATISFACTORY	0	5	2	Sep-17
City Treasurer	Accounts Receivable (Cfwd from 2016/17)	Green	SATISFACTORY	0	3	1	Sep-17
City Treasurer	Procurement Cards	Green	SATISFACTORY	0	4	1	Nov-17

Audits Completed Year to Date - 2017/18

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
City Treasurer	Accounts Payable	Green	SATISFACTORY	0	8	0	Apr-18
City Treasurer	Pension Investments	Green	SATISFACTORY	1	3	2	Apr-18
City Treasurer	Council Tax	Green	SUBSTANTIAL	0	1	1	Apr-18
City Treasurer	Income Manager	Green	SATISFACTORY	0	0	1	Apr-18
City Treasurer	Accounts Receivable	Green	SATISFACTORY	0	1	0	Apr-18

Additional Information on Audits (Main report – Paragraph 5.1)

Children's Services:

1. Shared Services: Special Education Needs (SEN) Provision (satisfactory assurance)

The SEND Code of Practice provides statutory guidance on duties, policies and procedures relating to Part 3 of the Children and Families Act 2014. It relates to children and young people with SEN and disabled children and young people. The Code of Practice sets out a definition of eligibility for statutory assessment and the Education Health & Care (EHC) plan. It places emphasis on taking children and young people whose needs cannot be reasonably met through their normally resourced local mainstream provision through the EHC planning process.

An Education Health & Care Plan (EHC plan) is the way support is planned and provided for children and young people (from birth to 25 years of age), who have special educational needs (SEN) and need a much higher level of support than good education providers can deliver on their own. The purpose of an EHC plan is to make special educational provision and related health and social care support meet the learning needs of the child or young person, to secure improved outcomes for them in learning, to co-ordinate provision better across education, health and social care and, as they get older, to prepare them better for adulthood. The SEND Code of Practice requires that children, young people and parents have more control over decisions about their support.

The key findings of this audit are summarised below:

- The Special Educational Needs and Disabilities Code of Practice (2015) provides the Council with a structure and guidelines to follow in providing a service to children and young people within the borough. The Code of Practice is available online and staff within the SEN department are provided with hard copies. It provides details on the assessment process including the involvement with service users, the relevant timeframes for producing a plan, and the requirement to review plans on an annual basis. Details on the appeals process are underlined in the document. In addition to the Code of Practice, an SEN services handbook was rolled out in November 2017 providing local guidance to staff;
- The challenge of securing permanent staff has been a recognised issue facing SEN Services across England. As such, a number of staff within the service are agency staff although a number of steps have been taken to remedy this, including: review of pay and reward; and the development of a robust CPD for staff;
- Referrals to the SEN Service can be made via a variety of means; through referral forms, face-to-face at Council offices (LBHF &, RBKC) or via telephone (WCC), or by schools. Information on the Councils' Special Educational Needs Services and Local Offers are available on the Councils' websites, along with contact details. The Councils have also prepared and posted bulletins in schools within the borough as a means of informing schools' staff of the process for referring children and young people to the service;
- The referral and assessment process is the same for each of the three boroughs. The local authority is required to undertake an 18-week transfer review process, which is a re-assessment of needs, for those children and young people and who currently have a statement of SEN. For all new referrals and applications, an assessment must be undertaken within 20-weeks. At the time the audit fieldwork started, trackers were in place detailing all children and young people with a statement of SEN or an Education, Health and Care Plan. There were two trackers in place across the three boroughs - one for individuals requiring 18-week assessments and one for individuals requiring 20-week assessments. Examination of the trackers identified that many of the fields had not been fully populated, including the date the statements/plans have been issued. Due to this, the annual review date in many cases was not immediately apparent. Discussion with the Deputy Head of SEN established that the tracker did not alert the necessary officers where action is due or overdue. These trackers have since been replaced with a case management system which allows staff and management to more effectively track and report on staff workload and pending deadlines;

APPENDIX 2

- The service has set a KPI of 10 weeks from initial referral for an assessment to be undertaken. This is to ensure that the SEN department have sufficient time to prepare an EHC Plan in the 18/20-week mandatory timeframe;
- A decision group is in place to review each case at referral stage as a means of establishing whether an assessment will be carried out by the SEN department;
- A standardised EHC Plan template is used across the three boroughs for all individuals upon completion of an assessment. This includes information about the individual, a summary of the individual's needs/requirements, outcomes, and provisions needed. The plan is tailored to each individual's needs and is developed collaboratively by a member of the Clinical Commissioning Group, a Local Authority Officer, the individual and their family/guardians. However, minutes or action points were not taken at each meeting. Therefore, although the output of the meeting is captured in the EHC plan we were unable to confirm the, decision making process when formulating the plan;
- Examination of quarter 3 performance reports indicated that the number of EHC Plans completed in the 20-week mandatory timeframe were 67% (LBHF), 64% (RBKC) and 80% (WCC). However, performance has improved since this sample testing was undertaken and therefore no recommendation was made;
- Assessments are signed off by a senior officer as evidence of review and approval. The Senior Officer checks to ensure that all the areas of the assessment have been completed and all relevant supporting documentation is provided;
- In accordance with the Code of Practice, all EHC Plans require an annual review to ensure that the service provided meets the needs of the individual and reflects any changes since the plan was developed. The service is currently developing systems for better oversight of annual review., managed in the new Case Management Site, allowing monitoring reports on performance and proactive reports. A guide on the annual review process is currently being developed for schools;
- Carers can appeal against the outcome of an assessment. A log of all appeals is maintained by the service. According to the Code of Practice, the Councils must provide parents with information regarding appeals and the process for resolving disagreements. Where an application for an assessment has been rejected, a letter is sent out to parents with a paragraph regarding future support, advice and the appeals procedure. Further information on the appeals process is outlined on the Councils' websites and is posted on School bulletins. Discussions established that outcomes of appeals are reviewed and significant practice issues fed into the service improvement process through the monthly practice meetings and the weekly service updates. A quality assurance system is currently being developed where outcomes and appeals and complaints will be formally fed into the assessment process, however this is still in the implementation stages;
- The DfE identified through the work with the regional SEND Adviser that there were significant concerns in relation to the statutory compliance in the SEN Service. This related specifically to the completion of EHC needs assessments within 20-weeks and the transfer of Statements to EHC Plans by 31 March 2018. Funding was identified by the DfE to support the three boroughs and an experienced former Head of SEN was placed in the Service between 1 September 2017 and 31 March 2018. The focus of this work was to improve the statutory compliance. The final meeting with the DfE took place in March 2018 and it was considered that this had proved to be successful in supporting the service to improve their statutory compliance. An improvement plan was developed with the aim of improving performance and is being monitored against by the SEN Service Leadership Team;
- The Director of Education has set performance targets service and these in turn have been translated into individual targets for staff. These targets are reported on monthly to senior officers and Members. A SEN Improvement Group has also been established to oversee performance and the service improvement plan. This group meets monthly and is chaired at Executive Director level;
- The SEN budget is monitored on a monthly basis by finance officers with assistance from the Head of SEN. Reports are produced on a monthly basis including a directorate commentary for each borough highlighting any over/underspend, any spending pressures and rationale for these. These reports are submitted to the Senior Management team and the Senior Leadership Team where any actions required as a result of the reports are discussed, agreed and monitored. The Financial position is also reported to the Schools Forum on a termly basis.

One high and two medium priority recommendations have been made as follows:

- A summary of matters discussed, and key decisions made should be recorded and retained for all EHC Planning meetings;
- EHC Plans should be reviewed on an annual basis;
- The Case Management System should notify SEN staff of upcoming annual review dates. These dates should continue to be monitored against to ensure that reviews are identified, organised and completed in good time to meet the 12-month review period.

2. 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, one final report has been issued in respect of school audits:

- Queen's Park Primary School (satisfactory assurance).

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

Growth, Planning & Housing:

3. Apprenticeships in Procurement & Development (advisory report)

The Council's 2016 City Plan contains a policy that "Where appropriate, new development will contribute towards initiatives that provide employment, training and skills development for local residents and ensure that local people and communities benefit from opportunities which are generated from development".

A significant part of this entails removing barriers to the growth of sustainable communities, in the form of access to skills, training and employment to foster economic and social vitality and diversity, and improved life chances for Westminster's residents.

As well as running its own Apprenticeship Programme, the Council can also set requirements for suppliers and developers to employ apprentices and or support trainees when developing in, or contracting with, the Council.

Public Sector organisations have an obligation under the Public Services (Social Value) Act 2012 (SVA) to consider how a procurement might improve the economic, social and environmental wellbeing of the area. Westminster City Council spends approximately £460 million on goods, services and works per annum and therefore is able to leverage its supply chain to deliver additional benefits to residents, businesses and communities, including through Apprenticeship and Traineeship opportunities.

Planning obligations are used by the Council to allow, in appropriate circumstances, planning permission to be granted for development proposals that might have otherwise been considered unacceptable in planning terms. Planning obligations are used to secure measures to mitigate the impacts of a development. In some cases, this may include the requirement to prepare an Employment & Skills Strategy setting out how the developer will contribute towards the Council's policy contained within the City Plan 2016

The purpose of this audit was to gather information to establish the current processes operating within the Council in respect of securing apprenticeships and traineeships in procurement and development. As such this was an advisory review and no assurance opinion was provided.

The audit confirmed that there are policies and processes in place to support the Council's drive to generate apprenticeships/traineeships from development. However, some of the key controls such as formal monitoring of compliance with the developer's Employment and Skills Plan has only recently been introduced and further work is required to strengthen the control environment. In addition, the Council does not currently have a reportable figure on the total number of apprenticeships/trainees generated from development. This information will be critical in assessing whether the Council is maximising opportunities to contribute towards the Council's policy set out in the City Plan 2016 in respect of generating employment, training and skills

benefits from development. Following the introduction of a quarterly monitoring template in the summer of 2017, the Employment and Skills team will use the figures submitted to collate the total number so that this can be reported in the future.

With regards to procurement, there is an appetite to secure apprenticeships/traineeships through contracts. It should be noted that whilst there is a requirement to assess Social Value as part of tender process, there is currently no Council policy mandating apprenticeship in tenders as use of apprenticeships is not always appropriate. However, business areas are encouraged to think about including the use of apprenticeships in the tender specification and where it is considered appropriate this is written into the specification. The introduction of the Responsible Procurement approach has brought about a number of significant changes to the process as follows:

- Introduction of a Responsible Procurement Delivery Plan to be completed by the suppliers at tender stage (all tenders where the contract value exceeds £100k) and to formally capture their social value promises;
- Social Value Deliverables Tracker to provide an overview of the social value promises made; and
- Recruitment of officers to engage with the contract managers and suppliers and assist them to deliver the social value promises set out in the Responsible Procurement Delivery Plan.

Further work is underway including the process of collating compliance data through updates to the Responsible Procurement Delivery Plan.

City Management & Communities:

4. Prevent Strategy (satisfactory assurance)

Section 26 of the Counter-Terrorism and Security Act 2015 (the Act) places a duty on certain bodies (“specified authorities” listed in Schedule 6 to the Act), in the exercise of their functions, to have “due regard to the need to prevent people from being drawn into terrorism”.

Prevent is one of the four elements of CONTEST, the government’s counter-terrorism strategy. It aims to stop people becoming terrorists or supporting terrorism. The Prevent Strategy:

- Responds to the ideological challenge of terrorism and aspects of extremism, and the threat faced from those who promote these views;
- Provides practical help in order to safeguard vulnerable people from being drawn into terrorism and ensures they are given appropriate advice and support; and
- Works with a wide range of sectors (including education, criminal justice, faith, charities, online and health) where there are risks of radicalisation.

The strategy covers all forms of terrorism, including far right extremism and some aspects of non-violent extremism. The National Prevent Board, which includes senior members of the cabinet and security chiefs, prioritise the Prevent Strategy on the needs of the local area. The Home Office works with local authorities, a wide range of government departments, and community organisations to deliver the Prevent Strategy. The Police also play a role in Prevent, when taking a preventative approach to other crimes. The Channel Programme forms a key part of the Prevent Strategy. The process is a multi-agency approach to identify and provide support at an early stage to individuals who are at risk of being drawn into terrorism.

The audit identified that:

- The roles and responsibilities of the staff within the Prevent Team are defined and embedded within the legislation. All staff members have access to Prevent Duty Guidance for England and Wales and Channel Duty Guidance;

APPENDIX 2

- Grant Agreements are set up between the Council and the Home Office on an annual basis. The four agreements in place cover Local Authority Prevent Coordinators, the Prevent Education Officer, Youth Mentoring and Prevent Local Delivery Fund;
- A Safer Westminster Partnership Information Sharing Protocol is in place between the Council and other public institutions, such as the Metropolitan Police, London Fire Brigades and National Probation Service. The responsibilities for the Council in the Information Sharing Agreements for the Channel Project are clearly defined, however, only four of the eight Authorities involved had signed the Agreement. In addition, none of the 12 'Co-operating Persons / Bodies' had signed the Agreement (Co-operating Persons / Bodies are other people or organisations co-operating in implementing the Prevent strategy);
- A Prevent Team organisational structure is in place, which is documented and up to date, listing the roles of each member of the Prevent Team. This structure includes both internal organisations and key third parties involved in the Prevent strategy;
- A Counter-Terrorism Local Profile (CTLP) is prepared by the Metropolitan Police Service, including information provided by the Council, on an annual basis to outline the threats and vulnerabilities from terrorism related activities within the borough. This document highlights the risks relating to terrorism and non-violent extremism and recommendations to address them;
- A Council delivery plan is in place for 2017/18 to monitor progress in implementing projects approved by the Office for Security and Counter-Terrorism (OSCT). The project's intended outcomes, outputs/actions and progress are recorded and each project is RAG (red, amber, green) rated;
- Currently, the Council funds six different projects. These are grassroots community projects designed to deal with some of the risks faced in the local area. Every quarter the Prevent Team complete a Prevent Monitoring Return report. This assesses the effectiveness of each project in dealing with different types of risks that the local area faces;
- Quarterly reclaims are submitted to the Home Office to claim expenses on agreed projects;
- Referrals can be made to the Prevent Team where an individual is believed to be at risk of radicalisation. Cases are then managed through a Prevent case management system. Where individuals meet certain criteria, they will be referred onto the Channel Programme. Channel is a programme which focuses on providing support at an early stage to people who are identified as being vulnerable to being drawn into terrorism;
- Referral information can be found on the Council's website, along with all necessary contact details. Once a referral is made to the Prevent Team via email, it will be passed onto the police for assessment;
- The Council has set up Channel Panel meetings which occur on a monthly basis. All individuals referred to the Channel Programme appear as a standing item on the agenda in each meeting;
- Budget monitoring is performed on a quarterly basis by the Prevent Programme Manager and no significant budget variances were identified;
- Training feedback forms are provided to individuals in order to pinpoint any areas for improvement and monitor performance of Prevent Officers. A tracker is maintained by the Prevent Team to track all the sessions the team have carried out and which institutions may want to take part in the voluntary training again in the future;
- The Prevent Steering Group meets on a termly basis and consists of representatives from Westminster City Council, the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and the Home Office. Amongst its responsibilities, is to provide a high level review of the functions of the Prevent Programme across the three boroughs.

One medium priority recommendation was made that the Information Sharing Protocol needed to be signed by all of the relevant parties. At the time of the audit the impact of the General Data Protection Regulations was being discussed with the Home Office on Prevent related matters.

5. Highways Contracts (satisfactory assurance)

Under section 41 of the Highways Act 1980, local authorities have a statutory duty to maintain the public roads including major and minor works. Westminster City Council's (WCC) planned maintenance programme support the 'City for All' vision in delivering a well-managed, high quality streetscape. Highways maintenance is delivered through:

- A planned maintenance programme of works which prolongs the life of the asset whilst maintaining its structural capacity;
- Reactive maintenance which is completed as a result of defects to the carriage and footway which may be dangerous to the users of the highway;
- Inspection and testing used to gather information of the state of repair of assets which assists in planning the maintenance programme.

Highways maintenance is provided by FM Conway (FMC) WSP partnership under three separate contracts which commenced on 1st April 2014 and will run for eight years ending on 31 March 2022. The service provided by Conway/WSP includes design and consultancy services; reactive and planned highway maintenance and management services; public realm projects; management and improvement of Westminster City Council's highway assets and maintenance and management of two Thames Crossings. Although the contract with FM Conway is self-monitoring, the council has also retained the services of an independent company to inspect a proportion of completed highway maintenance jobs to provide assurance that the quality of workmanship and material used by FMC meets expected standards and regulations.

Income is generated from works performed by the Council via FM Conway with the three main income streams being works performed under:

- Section 106 Town and Country Planning Act 1990. This relates to income derived as part of a planning condition and can cover contribution to a range of obligations within the borough such as affordable homes, public open spaces, highways, and borough improvements;
- Section 278 of the Highways Act 1980. This relates to the income derived from invoicing a developer for the cost of works completed specifically to the highways which is designed and delivered by the WSP and FMC team on behalf of the developer; and
- Works performed on behalf of Transport for London (TfL) under the Local Implementation Program (LIP). For 2017/18 an income budget of £720,000 was approved by TfL. At the time of the review, TfL had reimbursed £287,971 for completed works against the projects in the LIP programme.

The key findings of the audit are summarised below:

- Officers within Public Realm (Highways) have a clear understanding of the objective of the service, gained through experience of managing and delivering highways maintenance and public projects across the borough over many years. The stated objectives covering each area of WCC Highways Management is details in the Consolidated Asset Management Board Action Plan. The review highlighted that there is a good level of communication across the team and with FMC's staff;
- The performance of the highways team is reported quarterly to the Audit and Performance Committee. The performance information presented to committee is compiled independently of the Highways team and includes results against two Key Performance Indicators (KPI): Repairs to Carriage and footway completed within 24 hours and the number of highways inspections completed;
- The controls over the creation and approval of the Highways Annual Planned Preventative Maintenance (PPM) programme are applied to a satisfactory level. The programme is devised following a whole borough annual street inspection process carried out by a firm accredited to undertake the surveys. Scrutiny and final approval of the PPM programme is provided by the Cabinet Member for City Highways under delegated authority;
- NRP's Divisional Director assigned to the Council's contract has enabled a good level of continuity within the monitoring role undertaken by NRP. Consequently, it has also enabled good working relationship with the Council and FMC staff to be developed. As part of NRP's continual service improvements, their staff will provide an enhanced level of scrutiny over construction of the annual PPM plan by FMC. This will provide the Council with assurance that the overall scope of works, the design parameters used to estimate cost of works is satisfactory, material allocation is reasonable and

that the planned programme will deliver each project in the PPM program by the end of the financial year. The 2018/19 PPM programme will be subjected to this review;

- The controls over the reimbursement claims for projects completed on behalf of Transport for London (TfL) is working to a satisfactory level. The amounts claimed by the Council against the LiP allocation approved by TfL is based on financial information provide by FMC. The aim is for monthly LiP reimbursement claims; the timings are dependent on when FMC complete the works and provide the required financial information. The claims are made via TfL's portal and the reimbursed amounts paid directly to the Council via a Bank Automated Credit (BAC) transfer. The amounts received are monitored by the department's finance team;
- There are sufficient safeguards in the Highways IT system (Confirm) to prevent reactive maintenance work being undertaken by the Council for neighbouring boroughs in error. The process for assigning a priority rating for each reactive maintenance job and of the pre-arranged priorities for jobs within the borough's key shopping, high footfall streets ensures jobs are dealt with based on the urgency of the repair. Confirm enables efficient electronic transfer of works orders to FMC. The system also holds key information on each job raised and can track its progress from start to completion, including payment details;
- The control over payment to FMC for work completed under the Council's "highways maintenance" processes are being correctly applied. Purchase orders are approved at the start of the year to cover the costs of the various maintenance work streams. Testing confirmed that individual invoices from FMC relating to the PPM programme are reviewed and approved for payment by Highways managers with the appropriate delegated authority under the workflow process;
- NRP's Associate Director reported that there is an on-going dispute with FMC over the "Binder Course" used for carriageway repairs. The issue stems from NRP not being entirely sure that the amount of binder course used in certain jobs is an accurate reflection of the amount actually used and, for some jobs, whether a binder course was actually required. NRP plan to resolve this matter through its review of the PPM programme as part of the enhanced service delivery which will include a greater scrutiny of the material assigned to each job;
- The monitoring of financial performance of the highways maintenance process is carried out by the department's finance team. As part of the monitoring function, monthly meetings are held with Highways managers to discuss financial performance and forward spending profiles against remaining budgets. In addition, there is a good level of communication with officers from the Council's Insurance team. The information shared in terms of claims profiles and the outcome of court cases informs the Highways team of areas of the maintenance process which may require additional scrutiny;
- NRP carried out a shadow exercise at the request of the Head of Service. The purpose of the exercise was to validate the job orders raised by Council Inspectors to identify any defects that should have been raised by the Inspectors in accordance with the Council's "Risk Register for Highways Safety Defects". The results of the exercise were reported to the Head of Service who along with senior managers within the division will address the issues raised in the report.

Six medium and two low priority recommendations were made to address the following control weaknesses:

- the number of completed reactive maintenance jobs inspected quarterly by NRP which meet the quality standard relating to system and sites checks, is currently not included in the report to Committee;
- The task of producing the Council's Asset Management Plan (AMP) with the associated procedures is assigned to an officer who is a long term temporary member of the team. This could cause possible business continuity issues should the officer leave the Council with little or no notice period being served;
- The AMP is supported by a set of procedural guidance notes describing the highways maintenance process and the key control areas. Good practice advises that in order to maintain the currency of the guidance notes, they should be periodically reviewed and updated to reflect changes by a specific member of the team;
- The location and retrieval of copies of s278 and s106 agreements is time consuming due to the copy agreements being held by individual project managers and storage arrangements for these agreements needs to be improved;
- Income received from developers under s278 and s106 agreements will need to be reconciled against the contribution specified in the agreements to ensure that all income due has been received;

- The process for paying FMC for reactive maintenance jobs operates as expected and the approval process for invoice payments is appropriate. However, the process for clearing disputed claims for payment for individual jobs frozen by the Council, are not being completed in a timely manner;
- NRP conducts a review of all completed projects in the PPM programme. The reviews provide assurance to the Council that FMC has completed the works to the expected standards using the correct materials and quantities. The review of NRP's inspection process, using a sample of completed PPM projects, revealed that NRP's own internal processes need to be strengthened to improve business continuity and guidance available to their staff;
- NRP also undertakes inspections of completed reactive maintenance jobs based on a six per cent random sample which is computer generated. This removes any bias or "cherry picking" by NRP. A review of the inspection process revealed that the timeliness of informing the Council of those jobs that failed the inspection needs to be improved.

6. Code of Construction (satisfactory assurance)

The Council has approximately 2000 licenced sites undertaking various construction projects throughout the borough although only 34 require monitoring under the Council's Code of Construction Practice (CoCP). These are categorised as either Level 1 and 2 sites and works to basements. Construction works at these sites includes full or partial demolition of existing buildings and full or partial reconstruction, basement extension and/or excavation and deep piling works lasting more than 30 days. The type of impact the above categories of construction could have on the carriage and footway includes:

- Road Closure;
- Noise and dust pollution relating to the construction;
- Restriction of carriage and footway width due to the construction works;
- Mud and other works debris accumulation on the highway during construction; and
- Vehicle activity in and around the work site.

The developer responsible for construction works is required as part of the planning consent to produce a Construction Management Plan (CMP) for Basement developments or a Site Environmental Management Plan (SEMP) for Level 1 and Level 2 developments. It is mandatory that the Highways Authority (the Council) reviews both the CMP or SEMP and based on the review, develop a suitable monitoring schedule so that during construction, the site is fully inspected to ensure compliance with the CMP or SEMP. The cost of conducting the site inspections during the construction works is passed onto the developer.

Income derived from set rates is linked to specific inspection activities required to monitor the development, with greater income derived from monitoring Level 1 sites. Apart from Level 1 sites, the Council can upgrade a site from a lower level to the one above based on the impact the site has on the local neighbourhood. An invoice is raised to the developer to recover the inspection fees. It is vital to ensure that the cost calculation associated with the inspections captures all support costs including officer salaries.

The review highlighted that communication and interaction between officers within the Council's Environmental Science and Highways Management sections works to a satisfactory level. Officers from both sections are involved in site monitoring requiring a co-ordinated approach. The review identified that amendments are required to current practices to improve information supporting the monitoring process and from developers to address insurance risk.

Officers within both the Environmental Science (ES) and Highways Management (HM) offices have a clear understanding of the objective of the service. This has been gained through experience of monitoring the various developments across the borough over many years. The complexity and duration of the development determines the seniority of staff assigned monitoring responsibility for a development. The Contract Officer (Environmental Science) – COES with input from Team Leaders determines the allocation of work.

Pre-start site inspections are undertaken to ensure that ES and HM officers become familiar with the site and the contractor's personnel. The visits enable offices to seek explanations and clarification on specific issues from the developer as part of the SEMP or CMP approval procedure.

It was reported that the service will not meet its £300,000 fee income target for CoCP reviews during 2017/18. The budget, when set was based on a larger number of developments starting 2017/18 than is the case. It was noted fairly early in the year that the budget overly ambitious, it was revised to a more realistic figure of between £160,000 to £180,000. The Finance Manager reported that developers have a five-year window of opportunity to commence a development once all Planning conditions are met. The Council cannot influence when the development starts and by extension when the income based on site monitoring can be transferred to Highways Management. The budget monitoring process is undertaken independently by the Group Finance manager. This segregates responsibility from the Highways Management team. Regular meetings between the Group Finance manager and the COES ensures that potential issues affecting financial performance are highlighted in a timely manner.

Five medium and one low priority recommendations were made to improve control in the following areas:

- There is potential for construction to commence on site once a developer receives the relevant approval form from the Council, without first settling the fee invoice;
- The process covering work allocation, calculating income fees and monitoring time charges followed by the COES is not supported by a set of procedures with the knowledge of the process is confined to one individual which could have future business continuity implications. In addition, the processes followed for pre-inspections and regular monitoring visits are not supported by guidance notes which highlight key control points in the process;
- The hourly rates used by the COES to determine the monitoring fees is provided by a Group Finance manager. The support costs used as part of the calculation does not currently include the Team Managers' costs. Future staff changes due to a departmental re-structure will also impact on the value of support costs and ultimately the hourly rates;
- The current form does not include any reference to contractor's insurance arrangements as an approval condition although the Council's standard s106 Agreements stipulates the type and value of insurance cover a contractor must have throughout the construction period.

Corporate Services:

7. Shared Services: IT Cloud Computing (satisfactory assurance)

Although most IT services are provided separately, at the time of this audit, the shared service relationship still supported some council services (such as Adults and Children's Services) and some IT services such as network/telephony. In the creation of the Shared Service relationship, IT Outsource providers and Cloud Service Providers (CSP) were central to achieving economies of scale. All three councils use cloud based services with differing delivery models. Some of these include the BT Managed Services Solution, Frameworki (Adults and Children's case management system) Capital e-Sourcing, SirsiDynix Libraries system and Parking Management applications.

Cloud Computing is an emerging technology that has rapidly become mainstream. Whilst IT outsource arrangements have provided dedicated IT services to organisations for many years, Cloud Computing now provides services across the internet using shared infrastructure. This has resulted in many organisations moving their IT services to cloud provision due to the cost savings and efficiencies that can be achieved using this approach. Cloud Computing is implemented by one or more of the service models set out below with each providing a distinct computing service to the enterprises that utilise them:

- Infrastructure as a Service (IaaS) - offers processing, storage, networks and other fundamental computing resources, enabling the customer to deploy and run arbitrary software, which can include operating systems and applications. Microsoft Azure and Amazon Web Services are market leader examples;
- Platform as a Service (PaaS) - provides the capability to deploy customer created or acquired applications developed using programming languages and tools offered by the Cloud Service Provider. Web hosting is a common PaaS;
- Software as a Service (SaaS) - provides a business application used by many individuals or enterprises concurrently. It provides the most common types of cloud applications used. Facebook,

G-mail™, LinkedIn®, Yahoo® user applications, Google Docs and Microsoft® Online Services are all examples of popular consumer-directed SaaS applications. It also allows customers to use the provider's applications running on a cloud infrastructure. The applications are accessible from various client devices through a thin client interface such as a web browser.

In terms of service deployment, three cloud deployment models exist for cloud customers:

- Private cloud - has one enterprise as its user. Several different departments or divisions may be represented, but all exist within the same enterprise. Private clouds often employ virtualisation within an enterprise's existing computer servers to improve computer utilisation;
- Public cloud - an offering from one Cloud Service Provider to multiple clients who share the cloud processing power concurrently. Public cloud clients share applications, processing power and data storage space communally. Client data is co-mingled, but logically segregated;
- Hybrid cloud - a combination of two of the previously mentioned deployment models.

The audit identified that:

- That council management had oversight of the service provider with the use of dedicated service managers to support IT Senior Management in this role;
- Each contract reviewed included provisions describing roles and reporting responsibilities that support service reporting and review;
- Each contract reviewed included a section on service levels, service reporting and in some instances the option to use service credits to encourage compliance with service levels. The service levels and related reporting were considered to be appropriate to the nature of services delivered. Separate key performance indicators were not established in any of the contracts, but the service levels were sufficiently detailed to promote effective service;
- Each contract included sections on Data Protection and Freedom of Information.

Six medium priority recommendations were made in the following areas:

- There was no evidence of recent review of the exit arrangements or regular tests of the disaster recovery/business continuity provision;
- The requirement for incident reporting was included in each contract however, we were unable to confirm that security incidents are being reported for one of the shared services contracts;
- Data classification and retention are detailed in contracts to varying degrees but the IAAS / network services under review are subject to arrangements that overlay the contracts and are retained by individual council departments. Centralised oversight of the application and implementation of these policies is limited and is unlikely to comply with GDPR;
- Security obligations are provided in each contract, but these and associated security requirements do not clearly mandate encryption or data segregation and in some instances refer to a data classification scheme that has been superseded;
- The IT Security staff of each council do not provide ongoing assurance of the Cloud Service providers in support of IT or business departments. Service Operating Control (SOC) reports should form part of an ongoing review process which includes other reviewing data and discussion with the cloud provider;
- Each council uses a portal for management to initiate access requests with their provider but satisfactory assurance wasn't provided to demonstrate that dormant accounts are being monitored and disabled.

City Treasurer:

8. Accounts Payable (satisfactory assurance)

An effective Accounts Payable function ensures prompt payment of all invoices and accounts received by the councils whilst ensuring compliance with legislation and contractual obligations. The delivery of the service by BT is overseen by an enhanced Intelligent Client Function that works closely with business groups and services to ensure the Agresso solution and the BT Shared Service Centre meet user requirements. The Council will

not seek to extend the BT Managed Services contract beyond May 2019 and the Hampshire Partnerships SAP solution will replace BT in providing the managed service for HR, payroll and finance during 2018/19.

The audit utilised specialist data interrogation software to conduct a suite of tests and analytical processes to highlight potential indicators of control weaknesses and erroneous supplier payment transactions. Overall the system was considered to be operating effectively with effective guidance available, good reconciliation processes and appropriate workflow and approval processes in place. Compliance with the Council's policy of no purchase order no payment was very good with the majority of transactions supported by a purchase order.

Eight medium priority recommendations were made to improve controls in the following areas:

- Changes to supplier vendor bank account details are not subject to review by a second officer thereby increasing the risk of changes being made for fraudulent purposes and going undetected;
- Although the number of manual payment requests has gradually decreased since April 2017 an average of 145 requests with an average value of £22k per month are still being processed. This payment method should be used sparingly due to the additional cost and risk involved;
- At the time of the audit testing (November 2017), approximately 140 items with a value of £907k were held as exceptions which need intervention before they can be processed. Exceptions need to be processed in a timely manner and the number of transactions reduced prior to the transfer to the Hampshire Partnership solution during 2018;
- At the time of the audit approximately 300 items valued at £1.47m were identified as rejected payments where either the payment sort code or bank account number is incorrect which need to be reversed and re-issued;
- Approximately £2.06m in credit notes (530 transactions) were held on Agresso with suppliers as at January 2018. As at end of February 2018 there were 359 open credits with a value of £2.8m. Outstanding credits was raised in the 2016/17 audit and has been a historical one that requires further attention with credit notes being applied against current invoices or refunds requested from suppliers. This should be reviewed and the credit notes outstanding should be reduced prior to migrating data to the Hants CC SAP system;
- The value of unapproved invoices on Agresso as at January 2018 was £6.59m relating to 895 items where the budget holder has not approved the transaction or there has been a query over the transaction preventing it from being processed for payment. As at the end of February 2018, the total number of unapproved invoices within the Purchase to Pay workflow awaiting manual coding and held since they had not been goods receipted was 376 items with a value of £3.14m which confirms that action is in place to address these transactions, although there is a need to reduce this balance prior to migrating to the Hants CC SAP system.

9. Shared Services: Pension Investments (satisfactory assurance)

The Shared Services Pensions and Treasury team is based at Westminster City Council. This audit was undertaken to provide the City Treasurer with assurance that controls in respect of pension investments are sufficiently robust following changes in personnel and accounting systems.

The Superannuation Act 1972 (and the Public Service Pensions Act 2013) provide the statutory underpinning for the local government pension scheme (LGPS). The 1972 Act specifies lead authorities to administer and manage pension funds operating in their geographic area depending on the local government structure. For example, in county areas, the county council is the lead authority responsible for running the pension fund on behalf of the county and all local government bodies within the county. In London, each London borough is responsible for running its own pension fund. Membership of the LGPS is open to employees of the pension fund administering authority, scheduled bodies (organisations specified in schedules to primary and secondary legislation) and admitted bodies (i.e. organisations which may be admitted to the Fund under an admission agreement). The Fund's objective is to provide a pool of assets sufficient to meet the long-term pension (as prescribed by the Local Government Pension Scheme Regulations) for its members.

The Councils employ seven external fund managers to manage shares of the investment portfolio in line with fund mandates set out in the Investment Management Agreements with the respective fund managers. Transactional processing and safeguarding of assets is undertaken by the Custodian (Northern Trust). Any transactions through the Custodian account which are generated by Council staff, require counter approval from another member of the Treasury and Pensions team. The Custodian, Northern Trust (NT), provides monthly and quarterly reporting for each pension fund. The Custodian supplied information is the prime records for investment transactions for all three Pension Funds. Previously this information was manually journalled onto the general ledger for each pension fund. With effect from the 2017/18 financial year, all investment transactions are being journalled automatically each quarter onto the general ledger using an interface with Northern Trust. Any non-Custodian transactions and Fund Managers' costs are paid through the Council's main accounting system (Agresso), which has workflow and approval levels already established. Pension Fund performance, including analysis from the Investment Advisors is reported quarterly to each Council's Pension Fund Committee.

Overall, the system controls were considered to be appropriate audit identified that suitable controls were in place with one high, three medium and two low priority recommendations made in the following areas:

- Although processes were in place, not all policies or procedures were fully documented for the pensions team;
- There is no training plan in place for pension staff to ensure that the team has the necessary knowledge and skills to operate in line with the CIPFA framework and current legislation. The risk registers for LBHF and WCC however, indicate that training plans are in place for all officers as part of performance appraisal arrangements. In addition, at the time of the audit there had not been a recent skills assessment or any training sessions for members of the Pension boards of the three Councils.
- The agreements signed between the Councils and the custodian (Northern Trust) and between the three Councils and individual fund managers were not available within the Pensions team. These had to be requested from the external service providers for the purposes of the audit and not all of those tested in our sample could be obtained;
- Not all of the Fund Managers were recorded in the relevant Council's Contracts Register;
- Fund managers' management fees are either deducted at source or paid via an invoice. Although a sense check is undertaken on fund manager reports (where deducted at source) or invoices received, fees charged are not systematically checked to management agreements to confirm they are accurate.

10. Council Tax (substantial assurance)

The Council is obliged by statute to set a balanced budget and has a responsibility to set Council Tax in accordance with the Local Government Act 1992. Council Tax is a tax on property and is collected to pay for the Council's own services, such as libraries, refuse collection and social services, as well as the services provided by the Greater London Authority. The Valuation Office Agency allocates a valuation band to every home or a rateable value to every home. The Council uses the banding or the rateable value to work out each bill. There are eight bands from A to H, arranged in increasing property value. In 2016/17, the Council received Council Tax income of approximately £49m. The administration and collection of Council Tax is provided to the Council by Capita Business Services. The re-tendering process for this service is currently underway.

The audit confirmed that appropriate controls were in place which were consistently complied with. One medium and one low priority recommendations were made to address the following:

- all staff must provide details of any property, benefit claim or account with which they may be associated on any systems that Capita uses and/or administers. Staff are required to make a new declaration annually and forms should be signed, dated and returned to Managers. We were informed that the Council Tax team had last completed their declaration forms in 2015; however, the forms could not be located and could not be reviewed;
- Discounts and exemptions should only be applied on a Council Tax account after supporting documentation is received, and evidence of this should be retained within the document management system. In one of the sample reviewed as part of this audit, no supporting evidence had been provided or reviewed prior to the discount being applied for a period of six months.

11. Accounts Receivable (satisfactory assurance)

This high level review primarily focused on the sundry debtor process and how this function is managed by Council officers and through the Agresso application. BT are responsible for setting up new customer records once the request has been received from the service user and it has gone through the workflow approval process with local and Framework ICF. Business groups and services are responsible for raising their own sales orders using the Agresso application. BT are responsible for issuing sales orders to customers following requests raised by council staff through the Agresso application (Customer and Sales module).

For Westminster Council approximately 1,500 customer records had been created and amended for the period April to December 2017 whilst approximately 9,000 Customer Sales Orders had been issued by BT for WCC clients. Services such as Property, Commercial Waste, Parking, Temporary Accommodation, Business Rates, Council Tax and Housing Benefits that raise their own invoices using legacy systems which fell outside of the remit of this review. Similarly, services that manage their own debt recovery process such as Adult Social Care, are subject to separate reviews.

The audit identified that generally controls were in place and working effectively. One medium priority recommendation has been made to reduce the levels of unallocated income prior to the migration to the Hampshire SAP solution during 2018.

12. Shared Services: Income Manager (satisfactory assurance)

Agresso Income Manager is an integrated suite of programmes designed to efficiently manage the receipting and allocation of enterprise wide income encompassing a range of sources and business processes within the council. There are currently over 1,100 users across the Councils who can process receipts in the customer facing module of Income Manager. In total over 4.8million receipt lines are processed through Income Manager with a value of over £31.8billion for the period April 2015 to June 2017. Agresso Income Manager went fully live for RBKC and WCC in July 2017. Prior to this only some elements of Income Manager were functioning.

BT are responsible for providing all management reports to services from Income Manager which are used to undertake reconciliations of income totals. A number of different management reports are also distributed to services by BT that are specific to income management areas for each service. The audit consisted of a high

APPENDIX 2

level review of key system controls for Income Manager and how services are using the system to manage local income collection processes and compliance with system guidelines for key processes.

The systems and controls were considered to be operating effectively with one low priority recommendation made on ensuring that improvements to the training provided on the operation of the income manager process are addressed in a timely manner.

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%	82%	Below target – focus on improvement in this area.
Percentage of audits finalised within 10 days of a satisfactory response	95%	96%	
Percentage of jobs with positive feedback from client satisfaction surveys	90%	100%	25 received average score 4.3 (where 5 is the top score)
Percentage of recommendations implemented or in progress	95%	100%	YTD 125 out of 125 recommendations.