Committee Agenda

City of Westminster

Title:	**Audit and Performance Committee**
Meeting Date:	**Tuesday 9th May, 2017**
Time:	**7.00 pm**
Venue:	**Rooms 3 & 4 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6QP**
Members:	**Councillors:** Ian Rowley (Chairman) Lindsey Hall Judith Warner David Boothroyd

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.30pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.

An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Reuben Segal, Senior Committee and Governance Officer.

Tel: 020 7641 3160   Email: rsegal@westminster.gov.uk
Corporate Website: www.westminster.gov.uk

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Director of Law in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

To note any changes to the membership.

2. DECLARATIONS OF INTEREST

To receive declarations by Members and Officers of the existence and nature of any personal or prejudicial interests in matters on this agenda.

3. MINUTES

(Pages 1 - 10)

To approve the minutes of the meeting held on 9 February 2017.

4. ANNUAL STATEMENT OF ACCOUNTS 2016-2017

To Follow

Report of the City Treasurer.

5. AUDIT FINDINGS REPORT (GRANT THORNTON)

To Follow

Report from Grant Thornton, External Auditors.

6. INTERNAL AUDIT MONITORING REPORT (JANUARY TO MARCH 2017)

(Pages 11 - 46)

Report of the Shared Services Director for Audit, Fraud, Risk and Insurance.

7. ANNUAL REPORT ON INTERNAL AUDIT AND INTERNAL CONTROL 2016-2017

(Pages 47 - 74)

Report of the Shared Services Director for Audit, Fraud, Risk and Insurance.

8. ANNUAL COUNTER FRAUD MONITORING REPORT

(Pages 75 - 88)

Report of the Tri-borough Head of Fraud.

9.   CHANGES TO TRI-BOROUGH SHARED SERVICES   **To Follow**
       ARRANGEMENTS

       Report of The Chief Executive.

10.   WORK PROGRAMME

Charlie Parker
Chief Executive
28 April 2017

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CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Thursday 9th February, 2017**, Rooms 3 & 4 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

Members Present: Councillors Ian Rowley (Chairman), David Boothroyd and Judith Warner

Also Present: Steve Mair (City Treasurer), Phil Black (Deputy Contracts Performance Officer, Revenue and Benefits), Gwyn Thomas (Senior Benefits Policy Officer), Paul Dossett (Engagement Lead, Grant Thornton), Elizabeth Jackson (Engagement Manager, Grant Thornton), Mo Rahman (Evaluation and Performance Analyst), Damian Highwood (Evaluation and Performance Manager), Neil Wholey (Head of Evaluation & Performance), Greg Ward (Director of Economy), Tasnim Shawkat (Monitoring Officer), Lee Witham (Director of People Services), Moira Mackie (Interim Shared Services Director Audit, Fraud, Risk and Insurance), and Reuben Segal (Senior Committee and Governance Officer)

Apologies for Absence: Councillor Lindsey Hall

1   MEMBERSHIP

It was noted that there were no changes to the membership.

2   DECLARATIONS OF INTEREST

Councillors Boothroyd and Warner declared that they were members of the Standards Committee which was referred to in the report on Maintaining High Ethical Standards at the City Council.

3   MINUTES

RESOLVED: That the minutes (Public and Exempt versions) of the meeting held on 16 and 24 November be signed as correct records of proceedings.

1

4   CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015-16

4.1   The Committee received a report on the annual review undertaken by Grant Thornton on the grants the City Council claims. The key messages from the Grant Certification Audit are communicated to the Audit and Performance Committee as the body charged with overseeing governance at the Council.

4.2   There was only one claim/return audited by Grant Thornton in relation to the 2015-16 financial year and this related to Housing Benefit subsidy. The committee noted that Grant Thornton had no recommendations to raise for members consideration. This was the fourth successive year that there had been no recommendations.

4.3   There was only one minor issue identified by the audit. This related to one manual error that resulted in a £6 overpayment on one benefit claim. The claim was subsequently corrected. Officers were referred to the fact that although only one error was identified this was based on a sample test of twenty cases and not all of the applications processed. In response to questions Paul Dossett, Grant Thornton, explained that the number of cases tested was set by the Department for Work and Pensions and applied equally to all local authorities. If an error is discovered testing is permitted on a further forty cases to identify whether there are any underlying issues.

4.4   **RESOLVED:** That the report be noted.

5   GRANT THORNTON ANNUAL AUDIT PLAN 2016-17

5.1   The Committee considered the external audit plan which outlined the work that Grant Thornton propose to undertake for the audit of the Council's Financial Statements and the Pension Fund for the financial year 2016-17. The plans are based upon Grant Thornton's risk based approach to audit planning.

5.2   The committee welcomed Paul Dossett, Engagement Lead, and Elizabeth Jackson, Engagement Manager, Grant Thornton, to the meeting.

5.3   Members noted and asked questions about the identified significant risks on the Managed Services Partnership (MSP) and appeals provision for National Non-Domestic Rates (NNDR), the identified other risks around the valuation of property and the significant risk around value for money relating to capital projects. With regards to the audit plan for the Council's pension fund members also noted and asked questions about risks in relation to property funds.

5.4   With regards to the significant risk relating to MSP, members commented that due to on-going difficulties with the implementation the degree of cooperation from BT this year may differ compared to the previous year. The committee questioned how this would affect the audit. Mr Dossett advised that in this event Grant Thornton would write to the City Council to inform them of the circumstances and request that they ask BT to provide its cooperation.

5.5   The Council's provision for business rates appeals is the largest in the country and is a highly material balance in the financial statements. The provision is based on significant judgements made by management and uses a complex estimation technique to prepare provision. The Committee expressed concern about the implications for the Council's appeals provision following the new 2017 NNDR valuation list. Officers advised that this would not affect the current year's accounts but might affect those in the future. Steve Mair, City Treasurer, explained that the finance team was in the process of addressing the impact of the changes in the same way that it had in when the NNDR valuation list was last updated in 2010.

5.6   Officers were asked how frequently the Council's property assets are valued. The City Treasurer explained that general fund investment assets are valued on an annual basis to comply with financial accounting requirements. Other assets are valued at an average of 20% per annum. In response to concerns that this proportion seemed low, Mr Mair explained that increasing the sample or undertaking a valuation more frequently would lead to increased costs for the Council. Mr Dossett stated that a figure of 20% was common across local authorities. Members questioned whether a greater proportion of assets should be assessed more frequently given property values in central London are likely to change more than in other parts of the country. Concern was expressed that some properties could be incorrectly valued if assessed only once every 5 years

5.7   In respect of the significant value for money risk on capital projects, Ms Jackson advised that Grant Thornton would be reviewing the project management and risk assurance framework established by the Council in respect of the more significant projects, to establish how the Council is identifying, managing and monitoring these risks. It would review any business cases that are near completion or approved by members by the end of the financial year.

5.8   Reference was made to the fact that Westminster employee pensions are administered by Surrey County Council. The committee asked whether Grant Thornton audits their processes. Ms Jackson advised that they sample test pension calculations and provide the Council with assurance that these are being applied correctly.

5.9   With regard to the audit of the Council's pension fund, officers were referred to the fact that most investments are held as liquid investments. Members considered that the area where there was likely to be risk related to the property funds managed by Hermes and Standard Life. The auditor was asked to review these funds in relation to value for money.

5.10   **RESOLVED:** That the audit plans be noted.

6   **FINANCE (PERIOD 9) AND QUARTER 3 (APRIL-DECEMBER 2016) PERFORMANCE MONITORING REPORTS (TO FOLLOW)**

6.1   Steve Mair, City Treasurer, introduced the period 9 finance report which provided details of the forecast outturn in respect of revenue and capital and

projected revenue and capital expenditure by Cabinet Member including key risks and opportunities. The report also included details in relation to the revenue and capital expenditure for the Housing Revenue Account.

6.2   The Committee expressed on-going concern over the capital forecast outturn variances against budget . Members expressed concern about the ability of service areas to produce robust forecasts. The City Treasurer stated that the City Council was a large and complex and business with a budget of over £800 million per annum and a large and significant capital programme. Therefore, it was not unusual given its complexities for slippage to occur in the capital programme. Effective forecasting relied on a combination of leadership and project management skills. He advised that the finance team does robustly challenge the assessments from those leading on capital projects. He further advised that the Council was not currently borrowing to finance capital expenditure but that this would be the case in the future. He explained that the Council had introduced a new business case arrangement for awarding capital programme expenditure to projects and that the finance team was working with service colleagues to address this. Moreover, the chief executive had commissioned a report to investigate the Council's programme management and delivery processes. Members suggested that a report on this issue should be added to the committee's work programme.

6.3   The Committee expressed concern over the possibility that a large number of projects that are currently delayed may all progress at the same time and they questioned whether officers would be have the capacity to deal with such a challenging workload. The City Treasurer advised that this issue would be picked up as part of the full service review.

6.4   The Committee noted that the £86 million capital receipt for the Moxon Street site which had yet to materialise was delayed due to challenges over Rights to Light.

6.5   The City Treasurer was asked for details of the Council's reserves. He reported that the general fund reserves were £41.56m at March 2016. This is likely to increase by approximately £5m to £46.6m over the course of the year.

6.6   In response to questions he was of the view that reserves should be built up to £70m as a minimum over the next 4 years or so. He referred to the fact that the Council cannot operate without sufficient reserves. As mentioned previously the Council's annual budget was approximately £800m. A modest 3% error on income and expenditure would result in the Council having to find £48m to make up the shortfall. He reminded the committee that in 2008 the Council had reserves of £70m which were heavily called upon following the global recession. He explained that at the current rate it would take a further four years for the Council to build reserves to a similar level. Members commented that the Council's external auditor at the time expressed the view that the Council was over reserved. The City Treasurer advised that this was not his view. The committee expressed concern as to whether the government would potentially reduce the Council's grant settlement in such

circumstances. It also wished to ensure a balance between increasing reserves and seeing further cuts to services.

6.7   Members also asked about the Council's income generation capabilities both in relation to contributing to the Council's budget and reserves. The City Treasurer advised that approaching one third of the budget proposals in the last 2 years had been generated from income such as car parking charges, commercial waste collections and the renting of advertising hoardings. This compared favourably with other local authorities. The committee suggested examining at a future meeting the Council's income generation streams and opportunities and how they can contribute to the ambition to increase general fund reserves.

6.8   Damian Highwood, Evaluation and Performance Manager, Policy Performance and Communications, introduced the remainder of the report which outlined of the progress made against the performance management framework between April and December 2016. The committee considered the major achievements and challenges, performance issues against internally set 2016-17 targets and where key performance needed to be improved.

6.9   Greg Ward, Director of Economy, addressed of the committee on the Council's progress in reducing long term unemployment amongst Westminster residents. He explained that to support the Council's ambition to reduce by a third the residents who are long-term unemployed (defined as residents claiming DWP benefits for one year plus) a new Westminster Employment Service was established in December 2016.

6.10   He informed members that despite the huge volume of jobs on offer Westminster has a high proportion of working age residents who are long-term unemployed compared with other parts of London. This is despite Westminster's unemployed being well-qualified. It has a greater proportion of its workforce further from work due to a combination of significant health or disability issues (the majority are Employment Support Allowance claimants), barriers to affordable childcare and the high costs of accommodation.

6.11   The Committee was informed that the Council had only started focusing on reducing long-term unemployment two years ago. In 2015 the number of long-term unemployed in Westminster was 11,500. This has now reduced to 9,600 due to a combination of factors including residents moving out of the borough or moving into retirement and therefore no longer being in receipt of certain DWP benefits. 551 of this group had been helped into work. Mr Ward stated that while this may seem a small number the implications were significant given the particular challenges presented by the target group. He advised that compared to 378 local authority districts in England, Wales and Scotland, Westminster achieved the 8th highest fall in the numbers of long-term unemployed. One third had sustained employment for more than 6 months. Evidence had shown that those who manage to stay in work for this length of time were more likely to remain in work. At the present time he was unable to provide statistics about how many had sustained employment for 12

and 24 months but through the new service there is now opportunity to start to monitor to these timeframes.

6.12 Mr Ward advised that the Council was focusing on those residents who had the highest support costs such as those in temporary accommodation or in receipt of social care, children known to the police or with addiction, mental and health issues. It was estimated that the savings from the Treasury amounted to £9000 per person. In response to further questions around costs he advised that the service cost £277,000 from the general fund annually with all other funding being attracted from alternative more external resources.

6.13 Mr Ward was asked about the on-going support provided to the long-term unemployed once they have found work. Members considered that some on-going monitoring and support was likely to be required for those with the challenging circumstances previously identified. Mr Ward reported that a particular issue identified was that those who enter employment can find it challenging to turn up consistently and on time and therefore to maintain work in the short term. The Council wished to work further with partners to ensure that the long-term unemployed have a greater opportunity to succeed.

6.14 The Chairman questioned the accuracy of the performance information for each directorate. With reference to the Community Independence Service (CIS) which featured as one of the successes within Adults Services he advised that from September 2016 he had chaired a task group of the Adults, Health & Public Protection Policy and Scrutiny Committee which examined the re-procurement and strategy for the re-commissioning of the CIS. He advised that the task group struggled to obtain information on the forecasting process which would determine the resourcing strategy, details about whether the model was appropriate to meet the demand and the mitigation of risks associated with the labour market which was required to support the service. The chairman expressed concern about the ability to track its performance when such information could not be scrutinised.

6.15 Mr Highwood explained that the report presented for this quarter was a hybrid report. He advised that some of the outcomes for the service were set out in the performance indicator table in appendix 1 although he acknowledged that this could be better interlinked. He advised that moving forward the Evaluation & Performance Team would be asking service directorates to outline in detail the outcomes achieved rather than listing successes.

6.16 The committee then raised questions and asked for further information on a range of key service updates within the performance business plans.

6.17 **RESOLVED**: That the report be noted.

6.18 **ACTION**:

Finance

1. Provide the committee with the cost of leasing accommodation at 5 Strand and Portland House as part of the City Hall refurbishment programme.

(**Action for: Steve Mair, City Treasurer**)

Performance

2. Advise whether the pressure on Adult Service budgets are likely to have an impact on future eligibility criteria;

3. The slowness to get the Young Westminster Foundation up and running has left a service gap (for instance Stowe Youth Centre reducing its opening times and provision) – what progress has been made and what impact will the delay have on services?

4. Clarify what steps can be taken to deal with rough sleepers who refuse support, but contribute to antisocial behaviour;

5. Is planning performance getting back on track in terms of determining applications for non-major developments?

6. Circulate updated demographics of long term unemployed in Westminster together with details of the costs/benefits associated with supporting those into employment as well as details of the outcomes achieved to date;

7. Provide some narrative as to how social value has been used to support distinctly i) local residents, and ii) local businesses;

8. Does the Council have an IT strategy to mitigate the risk from failure of remaining legacy data centre services and the risk of malicious virus/hacking from external sources?

9. Provide more information in the next quarterly report around the HR metrics and MSP improvement plans in place to resolve the current lack of dashboard data which is impacting on policy development and workforce planning. Confirm the number of staff in the council

10. Detail how Cornerstone has marketed for new potential Foster Carers – how might this change to deliver improved performance which has been off track for some time?

(**Action for: Damian Highwood/Mo Rahman, Strategic Performance Team**)

7   MAINTAINING HIGH ETHICAL STANDARDS AT THE CITY COUNCIL

7.1   The Committee considered an annual report which provided an overview of the arrangements in place and actions taken to maintain high ethical standards throughout the authority.

7.2   Members noted that the Monitoring Officer had considered 5 complaints about member conduct but determined in each case that there was no case to answer. The committee further noted that the complaints were submitted by

different members of the public and therefore did not indicate a pattern of vexatious behaviour.

7.3 Members referred to the fact that to assist those who sit on planning committees a note was being prepared that would provide guidance about entering into discussions with applicants or attending site visits and/or scheme presentations in advance of committee meetings.

7.4 The committee considered the details of staff disciplinary cases and whistleblowing issues. The committee noted that the Council concluded 13 disciplinary cases in total in the 2015/2016 financial year. This was regarded as normal for an organisation the size of the City Council and had slightly decreased from the previous financial year. Members asked whether there were any patterns of misconduct and whether there were clusters of misconduct in service areas. Lee Witham, Director of People Services, advised that 6 of the 13 cases involved staff in Children's Services while 3 were in Adult Social Services. However, he explained that these were two of the largest service areas in the Council and often involve some of the most challenging and sensitive work. He further advised that the misconduct cases were varied and there was no case to answer in five of them.

7.5 The Committee noted that there had only been one whistleblowing matter raised via the HR Department. Officers were asked whether this was because members of staff were hesitant to raise issues. Members suggested that perhaps a mechanism could be developed so that officers can put forward issues that should be scrutinised by councillors. Mr Witham undertook to look into this.

7.6 **RESOLVED**: That the report be noted.

8 **INTERNAL AUDIT MONITORING REPORT 2016-17 (NOVEMBER TO DECEMBER 2016)**

8.1 The Committee considered a report that set out the key outcomes from the internal audit work carried out in the reporting period (October to December 2016.

8.2 The Committee noted the Internal Auditor's opinion that the Council's internal control systems based on the areas reviewed were generally satisfactory with all 9 audits finalised in the period receiving satisfactory assurance.

8.3 Two follow up reviews were undertaken in the period. It was noted that all the recommendations made had been implemented.

8.4 Members commented that while all 9 audits received a satisfactory assurance some of the weaknesses identified were of concern. Some related to failures to undertake fairly basic duties in sensitive services. Moira Mackie, Interim Shared Services Director for Audit, Fraud, Risk and Insurance, explained that the audits are undertaken across a wide area looking at the overall adequacy and effectiveness of governance, risk management and control arrangements.

Some of the weaknesses identified were procedural in nature but that on the whole the areas audited had improved compared to 2 years ago.

8.5   Moira Mackie stated that there will be a need to review those areas which are provided on a shared services basis if there is any change from a Tri or Bi-Borough basis to a sovereign service. However, she advised that while strategically some services were being delivered on a shared basis at an operational level in a number of cases each Council still had its own procedures and processes.

8.6   **RESOLVED**: That the results of the internal audit work carried out during the period be noted.

8.7   **ACTION**: Provide the committee with an analysis of potential risks for service areas moving from a shared service to another structure. (**Action for**: **Moira Mackie, Interim Shared Services Director Audit, Fraud Risk and Insurance**)

9   INTERNAL AUDIT PLAN 2017-18

9.1   The Committee reviewed a draft of the internal audit plan for 2017-18 as set out in Appendix 1 to the report.

9.2   The Internal Audit Plan had been developed following discussions with senior managers at the Council. Balancing audit resources across the Council's activities the Plan takes into account change, priorities and risk with cyclical reviews planned in operational areas across the 3 year period where possible. Areas of high risk had been identified and included in the plan as well as cyclical reviews in areas of a lower financial risk (e.g. schools).

9.3   Members asked why the number of planned audit days in Children's Services was significantly reduced compared to the previous year. Moira Mackie explained that some reviews were undertaken on a cyclical basis. Moreover, a high number of audits had been undertaken in Children's Services and Adult Social Care in the current year. She stated that the Plan is an early draft and will be subject to some amendment before a final version is published in March. It is possible that additional audits would be undertaken in these areas.

9.4   **RESOLVED**: That the draft internal audit plan 2017-18 be noted.

9.5   **ACTION**: Provide the committee with the updated audit plan once it is finalised in March. (Moira Mackie, Interim Shared Services Director Audit, Fraud, Risk and Insurance)

10   WORK PROGRAMME AND ACTION TRACKER

10.1   **RESOLVED**:

1.   That the agenda items for 9 May meeting be agreed.

2. That the responses to actions arising from the meetings on the 24 November 2016 be noted.

11   ANY OTHER BUSINESS

The Meeting ended at 8.47 pm

CHAIRMAN: _____   **DATE** _____

Audit and Performance Committee Report

City of Westminster

Meeting:	Audit and Performance Committee
Date:	9 May 2017
Classification:	For General Release
Title:	Internal Audit 2016/17 – Progress Report (January to March 2017)
Wards Affected:	All
Financial Summary:	The Council's budget
Report of:	Steven Mair, City Treasurer (Section 151 Officer)
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 and no limited or no assurance audits were issued.

1.2   The follow up review completed in the period confirmed that the implementation of recommendations has been effective.

1.3   The Appendices to this report provide the following information:

- **Appendix 1** Audit reports finalised in the year to date, showing the assurance opinion and RAG status;

- **Appendix 2** - Additional information on the audited areas;

- **Appendix 3** - Performance Indicators.

2. Recommendation

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

3. Background, including Policy Context

With effect from 1 April 2015, the Council's internal audit service has been provided by the Tri-borough Internal Audit Team which is managed by the Tri-borough Director for Audit, Fraud, Risk and Insurance. Audits are undertaken by the in house audit team or by the external contractor to the service. Reports on the outcomes of audit work are presented each month to the Council's Section 151 Officer and to Members of the Audit & Performance Committee. The Audit & Performance Committee are provided with updates at each meeting on all limited and no assurance audits issued in the period.

4. Internal Audit Opinion

4.1   As the provider of the internal audit service to Westminster City Council, the Tri-borough Director for Audit, Fraud, Risk and Insurance is required to provide the Section 151 Officer and the Audit & Performance Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. In giving this opinion it should be noted that assurance can never be absolute. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

4.2   The results of the audit reviews undertaken in the reporting period concluded that generally systems operating throughout the Council are satisfactory. Five limited assurance reports have been issued:
- Three Tenant Management Organisations (Lilestone, Carlton Vale and Hide Tower;
- Use of Consultants;
- IT Disaster Recovery and Business Continuity.

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

5. Audit Outcomes (January to March 2017)

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

Audit	Assurance	RAG
ASC – Carer Assessments*	Satisfactory	Green

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5.2 Implementation of Audit Recommendations

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

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

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

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

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

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

Moira Mackie on 020 7854 5922,

Email: moira.mackie@rbkc.gov.uk

BACKGROUND PAPERS
Internal Audit Reports;
Monthly monitoring reports.

Audits Completed Year to Date - 2016/17

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Adult Social Care	Tri-b – Transition, Young People to Adults (Cfwd from 2015/16)	Green	SATISFACTORY	0	5	1	Sep-16
Adult Social Care	Tri-b – Walkthrough (referrals) (Cfwd from 2015/16)	Green	SATISFACTORY	0	2	2	Sep-16
Adult Social Care	Tri-b – Continuing Healthcare Funding (Cfwd from 2015/16)	Green	SATISFACTORY	0	6	0	Nov-16
Adult Social Care	Tri-b – Departmental Governance (Cfwd from 2015/16)	Green	SATISFACTORY	0	2	2	Feb-17
Adult Social Care	Tri-b – Quality Assurance & Compliance	Green	SATISFACTORY	1	5	0	Feb-17
Adult Social Care	Tri-b – Carer Assessments	Green	SATISFACTORY	1	6	2	May-17
Adult Social Care	Tri-b – Information Governance (NHS Toolkit)	Green	SATISFACTORY	0	2	1	May-17
Adult Social Care	Tri-b – Supplier Resilience	Green	SATISFACTORY	1	4	0	May-17
Children's Services	Tri-b – Schools Health & Safety (cfwd from 2015/16)	Amber	LIMITED	4	3	1	Sep-16
Children's Services	Tri-b – Departmental Performance Management (Cfwd from 2015/16)	Green	SATISFACTORY	0	3	2	Feb-17
Children's Services	Tri-b - Procurement of Residential Placements	Green	SATISFACTORY	3	0	5	Nov-16
Children's Services	Disabled Services Direct Payments	Red	NO	8	5	0	Nov-16
Children's Services	Tri-b – Children & Families Act Implementation	Green	SATISFACTORY	0	2	6	Feb-17
Children's Services	Tri-b – Unaccompanied Asylum Seeking Children	Green	SATISFACTORY	0	5	0	Feb-17

Audits Completed Year to Date - 2016/17

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Children's Services	Tri-b – School Meals Contract	Green	SATISFACTORY	1	3	4	May-17
Corporate Services	Tri-b – Legal Services, Governance (cfwd from 2015/16)	Green	SUBSTANTIAL	0	0	1	Sep-16
Corporate Services	Tri-b – Managed Services Interfaces (Cfwd from 2015/16)	Green	SATISFACTORY	0	4	1	Sep-16
Corporate Services	Governance Review (Cfwd from 2015/16)	Green	SATISFACTORY	0	1	3	Sep-16
Corporate Services	Procurement - Governance	Green	SATISFACTORY	0	3	0	Sep-16
Corporate Services	Tri-b – Internet Monitoring/ Use of Social Media (cfwd from 2015/16)	Amber	LIMITED	1	3	0	Sep-16
Corporate Services	IT – Security Incident Management	Green	SATISFACTORY	0	3	0	May-17
Corporate Services	IT – Disaster Recovery & Business Continuity	Amber	LIMITED	1	5	0	May-17
Corporate Services	HR/Procurement – Use of Consultants	Amber	LIMITED	2	4	0	May-17
City Treasurer & City Management	Highways Infrastructure Accounting	n/a	N/A	0	3	0	Feb-17
City Treasurer	Budgetary Control	Green	SUBSTANTIAL	0	0	0	May-17
City Treasurer	VAT	Green	SATISFACTORY	1	4	7	May-17
City Treasurer	Tri-b – Anti-Fraud Services	Green	SATISFACTORY	0	4	0	May-17
City Treasurer	Treasury Management	Green	SUBSTANTIAL	0	0	1	May-17

Audits Completed Year to Date - 2016/17

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
City Treasurer	General Ledger	Green	SUBSTANTIAL	0	0	0	May-17
Growth, Property & Housing	Property Investment Portfolio (cfwd from 2015/16)	Green	SATISFACTORY	0	2	1	Sep-16
Growth, Property & Housing	Tavistock Co-op (TMO)	Amber	LIMITED	5	15	3	Sep-16
Growth, Property & Housing	Torridon Co-op (TMO)	Amber	LIMITED	6	12	0	Sep-16
Growth, Property & Housing	Lilestone TMO	Amber	LIMITED	3	10	5	May-17
Growth, Property & Housing	Carlton Vale TMO	Amber	LIMITED	3	11	8	May-17
Growth, Property & Housing	Hide Tower T<O	Amber	LIMITED	0	17	7	May-17
Growth, Property & Housing	Right to Buy	Green	SATISFACTORY	1	4	3	Nov-16
Growth, Property & Housing	Property Database Techforge	Green	SATISFACTORY	0	5	2	Feb-17
Growth, Property & Housing	Housing Rents	Green	SUBSTANTIAL	0	0	1	May-17
Policy & Communications	Governance	Green	SUBSTANTIAL	0	0	1	May-17
Policy & Communications	Risk Management - Compliance	Green	SATISFACTORY	0	2	1	May-17
Public Health	Tri-b – Substance Misuse Contract Management (cfwd from 2015/16)	Green	SATISFACTORY	0	2	1	Sep-16
Public Health	Tri-b – Sexual Health Contract Management (cfwd from 2015/16)	Green	SATISFACTORY	0	1	3	Sep-16

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Audits Completed Year to Date - 2016/17

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Public Health	Tri-b – School Nurse Contract Management (Cfwd 2015/16)	*Amber*	*LIMITED*	1	5	1	Sep-16
Public Health	Tri-b - Governance	*Green*	*SATISFACTORY*	1	3	1	Sep-16
Public Health	Tri-b – Business Planning	*Green*	*SATISFACTORY*	1	3	0	Sep-16
Public Health	Tri-b – Contract Management (Cardiovascular Disease)	*Green*	*SATISFACTORY*	2	3	1	Nov-16
City Management & Communities	Parking – People & Resources Contract Management	*Green*	*SATISFACTORY*	0	3	2	Sep-16
City Management & Communities	Waste Collection, Recycling & Street Cleansing Contract Management	*Green*	*SUBSTANTIAL*	0	1	1	Sep-16
City Management & Communities	Commercial Waste	*Green*	*SATISFACTORY*	2	1	1	Sep-16
City Management & Communities	Parking Income (cfwd from 2015/16)	*Green*	*SATISFACTORY*	0	2	0	Feb-17
City Management & Communities	Leisure Centres – Contract Management	*Green*	*SATISFACTORY*	0	4	4	May-17
City Management & Communities	Parking – Pay by Phone (IT)	*Green*	*SATISFACTORY*	0	3	0	May-17
Schools	Barrow Hill Primary School	*Green*	*SUBSTANTIAL*	0	2	1	Sep-16
Schools	St Luke's Primary School	*Green*	*SATISFACTORY*	0	3	5	Sep-16
Schools	Christchurch Bentinck Primary School	*Green*	*SUBSTANTIAL*	0	2	2	Nov-16
Schools	Essendine Primary School	*Green*	*SATISFACTORY*	0	3	6	Nov-16

Audits Completed Year to Date - 2016/17

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Schools	Hampden Gurney Primary School	*Green*	*SATISFACTORY*	0	5	4	Nov-16
Schools	St Augustine's Primary School	*Green*	*SATISFACTORY*	1	2	3	Nov-16
Schools	St Augustine's High School	*Green*	*SATISFACTORY*	0	5	4	Nov-16
Schools	Hallfield Primary School	*Green*	*SATISFACTORY*	0	3	3	Feb-17
Schools	All Souls Primary School	*Green*	*SUBSTANTIAL*	0	2	4	May-17
Schools	Burdett Coutts Primary School	*Green*	*SATISFACTORY*	0	5	5	May-17
Schools	St Edward's Primary School	*Green*	*SATISFACTORY*	1	4	4	May-17
Schools	St Gabriel's Primary School	*Green*	*SATISFACTORY*	0	1	4	May-17

Additional Information on Audits (Main report – Paragraph 5.1)

Adult Social Care:

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

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

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

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

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

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

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

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

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

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

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

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

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

3. **Tri-b – Supplier Resilience**

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

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

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

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

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

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

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

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

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

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

Children's Services:

4.   **Tri-b – School Meals Contract**

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

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

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

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

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

The recommendations have been accepted by management.

Growth, Planning & Housing:

5. **Housing Rents**

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

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

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

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

City Management & Communities:

6.   **Leisure Centres – Contract Management**

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

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

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

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

- Contract Managers are familiar with the terms of the contract in their work, and have recourse to the "Client Monitoring Manual" for reference. At the time of the audit this document was still in draft and had yet to be finalised;

- SLM provide the Council with monthly "Management Packs" providing information on the Leisure Centres' performance. These cover: customer comments, facility usage statistics, and accident reporting. SLM also conduct regular anonymous satisfaction checks through a third-party, but the results of these are not currently shared with the Council. Accident and incident reporting is included in the Management Packs, but there is no clear mechanism to verify that corrective action has been taken where required;

- The Contract specifies a number of third-party accreditations that SLM are expected to maintain, such as QUEST and Green Flag. At the time of the audit, many of these were awaiting renewal or inspection; however, staff demonstrated familiarity with them and supplied partial correspondence arranging future inspections;

- The Contract Managers conduct monthly visits to each Leisure Centre. The site reports from these visits had entries that were in part incomplete, or did not fully cover aspects of the contract such as: checks on DBS compliance, review of safety certifications, and review of third-party quality accreditations;

- Health and Safety checks are undertaken by the Council's independent health and safety auditors, Top Lodge, as well as SLM undertaking their own health and safety internal audits. Feedback and supporting documents are provided back to the Council during contract monitoring meetings;

- Contract Monitoring Meetings are held monthly between the Contract Managers and SLM management and we confirmed that these had taken place. The meetings also included the updating of a management action log. The meeting minutes recorded apologies for absence but attendees were not recorded;

- SLM carries out the Health & Safety checks required by the contract and relevant legislation, and these were sampled. It was found that both the Little Venice and Marshall Street Centres had received unsatisfactory Electrical Installation Condition Reports (EICR) ratings. Both centres had raised repair orders to implement recommendations following the check, but the Council were not made aware of this;

- DBS checks are included in the Council's site monitoring report, however these had not been consistently reviewed by the Contract Managers. DBS checks are taken by SLM for staff involved in regulated activity. The Council is currently considering whether this should apply to all staff present on-site;

- SLM use software (MRM Plus2) to manage membership and bookings. This allows membership to be tracked and alerts to be raised upon missed payments or imminent expiry. Bookings can be capped at pre-assigned levels, and the MRM program prohibits duplicate entries. Income from membership is taken in advance (annually or monthly) to prevent debts. If payment is not received, SLM will contact members to freeze their membership or downgrade them to "Prospect" status (requiring payment in the centres) upon the start of the next month. Some private bookings are not paid for in advance. For these an invoice tracker is managed, and regularly updated to pursue longstanding debt;

- SLM records one-off transactions using MRM, and all Front of House till operatives have completed training in its use. Payment is recorded by the system throughout the day, and these figures are then reconciled to a manual count. Reconciliations are carried out by both the operatives and the Duty Manager, testing identified that some did not have a Duty Manager signature or Front of House signature. All variance included satisfactory explanations where applicable. Cash is kept securely and out of sight in a safe, before being collected by G4S approximately twice a week;

- An asset register is retained by the Council, dating to the time that the contract was re-tendered. Assets have minimal description, and no value approximation or unique identifiable marking. The Council intends to undertake an annual inventory check on a sample of items from the Asset Register, and to update the master copy upon verifying any additions, disposals, or replacements made by SLM.

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

7.   **Parking Pay by Phone (IT)**

Westminster City Council (WCC) awarded NSL two separate four-year contracts covering the provision of parking staff and parking technology. One came into effect in July 2014 and the other in November 2014. Under the People and Resources contract, NSL provide approximately 200 marshals who issue penalty charge notices, maintain traffic flow within Westminster streets and assist drivers in locating vacant parking spaces. Under the Business Processing and Technology contract, NSL provide back office processing and administration services relating to penalty charge notices, parking payment systems and the Councils various parking systems.

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

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

The recommendations made have been accepted by management.

City Treasurer:

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

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

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

9. **VAT**

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

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

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

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

10. **Anti-Fraud Service**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CAFS carry out a variety of pro-active and detective investigations such as NFI data matching, West London Hub "Track a Fraudster" system (the hub extracts and matches data from participating Councils to identify potential fraud) and Anti - money laundering questionnaires for Right to Buy applications.

Every two years, creditors' data, history and current payroll data is extracted and matched across a number of fields as part of National Fraud Initiative's data matching exercise. It was identified that there have been some issues retrieving data from Agresso for this exercise, however, the data was eventually provided.

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

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

11. Treasury Management

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

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

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

The audit confirmed that Procedure notes have been developed for the tri-borough treasury management function which covered:
*   Coding of Cash Movements – (Tri-Borough Coding of Treasury Management Cash Movements);
*   Authorising Online Banking Payments; and
*   Tri-Borough Monitoring of Counterparties.
A training session was undertaken in November 2016 to introduce the procedure notes. The training session included discussion topics such as Treasury Risk Management, Operational Risk in Practice (Online

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

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

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

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

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

12. **General Ledger**

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

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

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

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

No recommendations were made as a result of this audit.

Corporate Services

13. **IT Security Incident Management**

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

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

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

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

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

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

Policy & Communications

14. **Governance**

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

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

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

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

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

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

Ensuring fair access to services

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

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

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

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

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Ensuring that external providers of services on behalf of the organisation are require to act with integrity and in compliance with ethical standards expected by the organisation.

- The Council's Procurement Code under Section 5.1 – "Legal framework", states that officers at the Council shall ensure that they are up to date with developments in the legal framework and are equipped to comply with the Council's legal obligations, this includes ensuring that supplier of services do the same;

- In order to make those involved in the tender process to think about ethical values and respecting the rule of law, tenders go through the Capital E-sourcing system and requires sign off of several waivers (such as financial evaluation, criminal conviction disclosure, compliance with the Anti-Bribery act). The process also requires officers to analyse potential services providers in several areas including:

  - Criminal Convictions and Business Probity;
  - Economic/Financial Standing;
  - Environmental Management Legislation and Procedures;
  - Equality and Diversity; and
  - Health and Safety.

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

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

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

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

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

15.   **Risk Management Compliance**

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

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

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

The audit identified that:

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

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

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

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

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

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

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

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

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

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

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

- Where risks have been assessed with a score of 12 or greater, they are required to be automatically flagged for EMT attention. Due to the crash of the Partnerweb site, this has not happened since June 2016. Risk Register information is manually extracted and submitted to EMT on a quarterly basis as part of the quarterly performance report (see below). Going forward, it is the intention that once the Business Intelligence platform has been fully implemented, the automated flagging up of significant risks to EMT will be reintroduced;

- The Council's key risks are monitored and reported upon as part of quarterly performance reports that are prepared by the Policy, Performance & Communications Team. Data is initially requested from individual service areas by the Policy & Performance Manager, with a deadline provided to respond by. This information is submitted via the Business Intelligence platform. Draft quarterly reports are discussed by EMT and, where additional information is required, this is requested from Service Areas. We obtained copies of the last three quarterly reports. The reports highlighted service pressures, risks and challenges for each department. We also obtained meeting minutes from the last three quarterly EMT meetings, confirming that the draft performance reports had been discussed;

- In addition to risks being captured within the Quarterly Performance Report, monthly insight reports are produced and discussed at EMT meetings. These reports detail new and emerging risks, current priorities, performance highlights, financial highlights and principal risks and uncertainties for all departments. They also include a summary of mitigating actions currently being taken to address identified risks. The last three reports were obtained;

- On a quarterly basis the Audit and Performance Committee receive the finalised Performance Report, which we were able to confirm for the last three quarters. Following the committee meeting, any queries raised will be followed up with individual service areas and reported back to committee via a briefing note;

- We were able to confirm that efforts are being made to introduce formal risk management training to risk leads. Discussion with the Evaluation and Performance Analyst established that informal meetings have taken place with risk leads responsible for recording risks on risk registers. After the release of the new risk register template in September 2016, a training workshop took place.

- Further discussions established that, starting in January 2017, group meetings will take place amongst risk owners to go through worked examples and ensure that all risks identified are aligned to the KPIs of the services. Once the new Business Intelligence platform is officially launched in the New Year, the plan is for further training to take place to ensure that risk owners are fully aware of how to navigate the platform and effectively report on risk management within their departments;

- From discussions with the Evaluation and Performance Analyst and the Shared Services Risk Manager at the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea, is was established that the sharing of intelligence regarding risks is currently limited;

- As part of the Annual Assurance Framework, Directors of departments are required to complete and sign off an annual assurance questionnaire to confirm that the statements provide a fair reflection of the system of internal control and governance arrangements operating within each department. Executive directors are required to sign off an annual assurance statement. The annual assurance returns for Children's services, Corporate Property and Commercial and Procurement had been completed but not signed off by the relevant directors.

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

Performance Indicators 2017/18

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

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

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Audit and Performance Committee Report

City of Westminster

Meeting:	Audit and Performance Committee
Date:	9 May 2017
Classification:	For General Release
Title:	Annual Report on Internal Audit and Internal Control - 2016/17
Wards Affected:	All
Financial Summary:	The Council's budget
Report of:	Moira Mackie, Interim Shared Services Director for Audit, Fraud, Risk and Insurance
Report author:	Moira Mackie, Senior Manager; email: moira.mackie@rbkc.gov.uk Tel: 020 7854 5922

1. Executive Summary

This report summarises the work of Internal Audit in 2016/17 and provides the opinion of the Interim Shared Services Director of Audit, Fraud, Risk and Insurance on the adequacy and effectiveness of the internal control environment.

- The work carried out by the Council's Internal Audit Service, in the financial year 2016/17 found that, in the areas audited, internal control systems were generally effective with 82% of the audits undertaken receiving a positive assurance opinion. There are a few areas where control improvements are required and compliance with agreed systems could be improved. In each case, action plans are in place to remedy the weaknesses identified. These will be followed up by the internal audit team until they are completed.

- The Council was found to be effective, in most areas, at implementing recommendations where concerns in respect of controls were identified.

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

3.1   The Audit and Accounts Regulations 2015 require the Council to conduct a review of effectiveness of the system of internal control. With effect from 1 April 2015, the Council's internal audit service has been provided under a shared service arrangement with the Royal Borough of Kensington & Chelsea (RBKC) and the London Borough of Hammersmith and Fulham (LBHF).   RBKC are the lead authority for the provision of this service which is managed by the Shared Services Director of Audit, Fraud, Risk and Insurance. The in-house internal audit team is supplemented by resources from Mazars LLP under a Framework arrangement with the London Borough of Croydon. Detailed reports on the performance and outcomes of the internal Audit work undertaken, have been presented monthly to the Council's Section 151 Officer and to the Members of the Audit & Performance Committee.

3.2   A number of the audits in the annual plan were undertaken on a tri-borough basis. The Audit & Performance Committee are provided with updates at each meeting on all RED or AMBER RAG limited assurance audits issued in the period.

3.3   Wherever possible, when planned audits have to be postponed, alternative audit work is identified.

3.4   The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). Under these Standards, internal audit services are required to have an external quality assessment at least once every five years. During 2016/17 the Internal Audit Service undertook a self-assessment to verify PSIAS compliance which has identified general compliance with the Standards and has identified minor improvements which will be addressed during 2017/18.

4.   Internal Audit Opinion

4.1   As the provider of the internal audit service to Westminster City Council, the Director of Internal Audit 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 opinion is that, at the time of preparing this report and based upon the work completed this year, the Council's governance, risk management and internal control systems in the areas audited were adequate with the exception of those areas detailed as "amber" and "red" all of which have been reported to the Audit & Performance Committee. This is a positive opinion which means that the Council generally has effective internal control systems with 82% of audits receiving a positive assurance opinion. This is an increase from 2015/16 when audit outcomes reflected the significant amount of process change during that year which was taking time to become embedded across the organisation.

4.3   In the above context it should be noted that:
- This opinion is based solely upon the areas reviewed and the progress made by the Council to action internal audit recommendations;
- Assurance can never be absolute neither can internal audit work be designed to identify or address all weaknesses that might exist;
- Responsibility for maintaining adequate and appropriate systems of internal control resides with Council management, not internal audit.

4.4   Follow up reviews confirmed that the implementation of medium and high priority recommendations has been consistently effective.

4.5   Issues arising from Internal Audit work which have significant implications for the Council's control assurance framework have been included in the Annual Governance Statement which is reported separately to this Committee. The monitoring process in respect of the Annual Governance Statement also ensures that follow up action is taken to remedy the key control weaknesses found.

4.6   Appendices to this report are as follows:

- Appendix 1   - A list of audits completed in 2016/17 with assurance opinions;
- Appendix 2   - A summary of the Internal Audit Service performance indicators; and
- Appendix 3   - A summary report of the schools audited during 2016/17.

4.7   There were some areas where improvements in compliance with controls were needed with a total of eleven audits being designated as "limited" or "no" assurance":

Service Area	Audit
Public Health	Tri-b – School Nurse Contract Management
Children's Services	Tri-b – Schools Health & Safety Disabled Services – Direct Payments
Growth, Planning Housing	Tenant Management Organisations (5)
Corporate Services	Tri-b – IT - Internet Monitoring/ Use of Social Media IT – Disaster Recovery & Business Continuity HR/Procurement – Use of Consultants

4.8   Managed Services Audits

4.8.1   The Managed Services Programme was procured by the Council in 2013 to provide transactional Human Resources, payroll and finance services and commenced limited service provision in April 2015. Since this point BT have continued to deliver a number of staged improvements to their service, however they are yet to deliver to the required contracted standard. Officers and members from the Council have held regular meetings with BT to review plans to improve performance, including making sure measures were taken to ensure internal controls operated.

4.8.2   To provide the Council with some assurance over their key financial and HR systems, a number of internal audits have been undertaken during 2016/17 including:
- Accounts Receivable, Satisfactory Assurance;
- Accounts Payable, Satisfactory Assurance;
- General Ledger, Substantial Assurance;
- Treasury Management, Substantial Assurance;
- VAT, Satisfactory Assurance and
- Budgetary Control, Substantial Assurance.

Sample testing has also been undertaken on key areas of the Payroll process and although the testing has identified a number of exceptions, no material issues were identified.

Further audits in respect of managed services will be undertaken in the 2017/18 financial year.

5.   Assurance on Risk Management

5.1   An audit was undertaken during the year which provided satisfactory assurance in respect of the Council's risk management arrangements. Two medium and one low priority recommendations were made to further enhance the risk management arrangements and ensure that they are fully embedded across the Council

6.   Assurance on Corporate Governance Arrangements

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

6.2   The audit provided satisfactory assurance that the Council's governance arrangements were operating effectively.

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

BACKGROUND PAPERS

Internal Audit Reports;
Monthly monitoring reports.

Internal Audit Plan – 2016/17

Adult Social Care:

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Tri-b – Transition, Young People to Adults (Cfwd from 2015/16)	*Green*	*SATISFACTORY*	0	5	1	Sep-16
Tri-b – Walkthrough (referrals) (Cfwd from 2015/16)	*Green*	*SATISFACTORY*	0	2	2	Sep-16
Tri-b – Continuing Healthcare Funding (Cfwd from 2015/16)	*Green*	*SATISFACTORY*	0	6	0	Nov-16
Tri-b – Departmental Governance (Cfwd from 2015/16)	*Green*	*SATISFACTORY*	0	2	2	Feb-17
Tri-b – Quality Assurance & Compliance	*Green*	*SATISFACTORY*	1	5	0	Feb-17
Tri-b – Carer Assessments	*Green*	*SATISFACTORY*	1	6	2	May-17
Tri-b – Information Governance (NHS Toolkit)	*Green*	*SATISFACTORY*	0	2	1	May-17
Tri-b – Supplier Resilience	*Green*	*SATISFACTORY*	1	4	0	May-17

Public Health:

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Tri-b – Substance Misuse Contract Management (cfwd from 2015/16)	*Green*	*SATISFACTORY*	0	2	1	Sep-16
Tri-b – Sexual Health Contract Management (cfwd from 2015/16)	*Green*	*SATISFACTORY*	0	1	3	Sep-16
Tri-b – School Nurse Contract Management (Cfwd 2015/16)	*Amber*	*LIMITED*	1	5	1	Sep-16
Tri-b - Governance	*Green*	*SATISFACTORY*	1	3	1	Sep-16
Tri-b – Business Planning	*Green*	*SATISFACTORY*	1	3	0	Sep-16
Tri-b – Contract Management (Cardiovascular Disease)	*Green*	*SATISFACTORY*	2	3	1	Nov-16

Internal Audit Plan – 2016/17

Children's Services:

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Tri-b – Schools Health & Safety (cfwd from 2015/16)	Amber	LIMITED	4	3	1	Sep-16
Tri-b – Departmental Performance Management (Cfwd from 2015/16)	Green	SATISFACTORY	0	3	2	Feb-17
Tri-b - Procurement of Residential Placements	Green	SATISFACTORY	3	0	5	Nov-16
Disabled Services Direct Payments	Red	NO	8	5	0	Nov-16
Tri-b – Children & Families Act Implementation	Green	SATISFACTORY	0	2	6	Feb-17
Tri-b – Unaccompanied Asylum Seeking Children	Green	SATISFACTORY	0	5	0	Feb-17
Tri-b – School Meals Contract	Green	SATISFACTORY	1	3	4	May-17

Schools:

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Barrow Hill Primary School	Green	SUBSTANTIAL	0	2	1	Sep-16
St Luke's Primary School	Green	SATISFACTORY	0	3	5	Sep-16
Christchurch Bentinck Primary School	Green	SUBSTANTIAL	0	2	2	Nov-16
Essendine Primary School	Green	SATISFACTORY	0	3	6	Nov-16
Hampden Gurney Primary School	Green	SATISFACTORY	0	5	4	Nov-16
St Augustine's Primary School	Green	SATISFACTORY	1	2	3	Nov-16
St Augustine's High School	Green	SATISFACTORY	0	5	4	Nov-16
Hallfield Primary School	Green	SATISFACTORY	0	3	3	Feb-17
All Souls Primary School	Green	SUBSTANTIAL	0	2	4	May-17

Internal Audit Plan – 2016/17

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Burdett Coutts Primary School	*Green*	*SATISFACTORY*	0	5	5	May-17
St Edward's Primary School	*Green*	*SATISFACTORY*	1	4	4	May-17
St Gabriel's Primary School	*Green*	*SATISFACTORY*	0	1	4	May-17

Growth, Planning & Housing

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Property Investment Portfolio (cfwd from 2015/16)	*Green*	*SATISFACTORY*	0	2	1	Sep-16
Tavistock Co-op (TMO)	*Amber*	*LIMITED*	5	15	3	Sep-16
Torridon TMO	*Amber*	*LIMITED*	6	12	0	Sep-16
Lilestone TMO	*Amber*	*LIMITED*	3	10	5	May-17
Carlton Vale TMO	*Amber*	*LIMITED*	3	11	8	May-17
Hide Tower TMO	*Amber*	*LIMITED*	0	17	7	May-17
Right to Buy	*Green*	*SATISFACTORY*	1	4	3	Nov-16
Property Database Techforge	*Green*	*SATISFACTORY*	0	5	2	Feb-17
Housing Rents	*Green*	*SUBSTANTIAL*	0	0	1	May-17

Internal Audit Plan – 2016/17

City Management & Communities:

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Parking – People & Resources Contract Management	Green	SATISFACTORY	0	3	2	Sep-16
Waste Collection, Recycling & Street Cleansing Contract Management	Green	SUBSTANTIAL	0	1	1	Sep-16
Commercial Waste	Green	SATISFACTORY	2	1	1	Sep-16
Parking Income (cfwd from 2015/16)	Green	SATISFACTORY	0	2	0	Feb-17
Leisure Centres – Contract Management	Green	SATISFACTORY	0	4	4	May-17
Parking – Pay by Phone (IT)	Green	SATISFACTORY	0	3	0	May-17

Corporate Services:

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Tri-b – Legal Services, Governance (cfwd from 2015/16)	Green	SUBSTANTIAL	0	0	1	Sep-16
Tri-b – Managed Services Interfaces (Cfwd from 2015/16)	Green	SATISFACTORY	0	4	1	Sep-16
Governance Review (Cfwd from 2015/16)	Green	SATISFACTORY	0	1	3	Sep-16
Procurement - Governance	Green	SATISFACTORY	0	3	0	Sep-16
Tri-b – Internet Monitoring/ Use of Social Media (cfwd from 2015/16)	Amber	LIMITED	1	3	0	Sep-16
IT – Security Incident Management	Green	SATISFACTORY	0	3	0	May-17
IT – Disaster Recovery & Business Continuity	Amber	LIMITED	1	5	0	May-17
HR/Procurement – Use of Consultants	Amber	LIMITED	2	4	0	May-17

Internal Audit Plan – 2016/17

City Treasurer:

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Highways Infrastructure Accounting	*n/a*	*N/A*	0	3	0	Feb-17
Budgetary Control	*Green*	*SUBSTANTIAL*	0	0	0	May-17
VAT	*Green*	*SATISFACTORY*	1	4	7	May-17
Tri-b – Anti-Fraud Services	*Green*	*SATISFACTORY*	0	4	0	May-17
Treasury Management	*Green*	*SUBSTANTIAL*	0	0	1	May-17
General Leger	*Green*	*SUBSTANTIAL*	0	0	0	May 17

Audits in progress

The audits listed below could not be completed prior to the end of the financial year and the outcomes from these audits will be reported to the Committee during 2017/18:

Adult Social Care	• Tri-borough – Homecare Services & Homecare Electronic Monitoring (WIP); • Tri-borough – Commissioning (WIP); • Tri-borough – Procurement (sample of contracts) (draft report); • Tri-borough – Contract Management (sample of contracts) (draft report); • Tri-borough – Health & Wellbeing Strategy (draft report); • Tri-borough – Customer Journey (draft report).
Children's Services	• Tri-borough – Passenger Transport Contract Monitoring (draft report); • Tri-borough – SEN Provision (WIP); • Tri-borough – Departmental Governance (WIP); • Tri-borough –St Vincent's Primary School (draft report); • Tri-borough – Edward Wilson Primary School (draft report).
City Management & Communities	• Food Safety (draft report); • Registrar Service (draft report); • Procurement Compliance (WIP); • Street Trading (draft report); • Commercial & Domestic Waste Enforcement (draft report).
Growth, Planning & Housing	• Odham's Walk TMO (WIP); • Millbank (MEMO) TMO (WIP); • Energy Performance of Buildings Directive (WIP); • Lessee Charges (WIP); • Gas Servicing (starts in April – delayed by Dept); • Apprenticeships and S106 (starts in June – delayed by Dept).
Corporate Services	• IT – Mobile Device Security (WIP); • IT – Asset Management & Disposal (WIP); • IT – Cloud Computing (WIP); • IT – Risk Management (draft report); • HR – Your Voice Survey (draft report); • HR – Payroll (draft report); • HR – Pensions Administration (draft report); • MS – Organisation Structure (WIP); • MS – Recruitment & Selection (WIP).
City Treasurer	• Accounts Payable (draft to be issued); • Accounts Receivable (draft to be issued);
Public Health	• Tri-borough –Supplier Resilience (WIP); • Tri-borough – GP & Pharmacist Services (draft report); • Tri-borough – Obesity Contract Monitoring (WIP).

Audits deferred

The audits listed below were not undertaken during 2016/17 for the reasons shown and where appropriate will be undertaken during 2017/18:

Plan Area	Auditable Area	Reason Audit not Undertaken
Adult Social Care	Re-commissioning CIS Reablement	Request to defer until 2017/18 due to changes in service.
Adult Social Care	Partnership working with Health & CCGs	Request to defer until 2017/18 due to changes in service.
Public Health	Gum Sexual Health Contract (procurement)	Delayed for procurement to progress. Will consider as addition to 2017/18 plan – full audit may not be required.
Children's Services	Outsourced Payroll	Not significant area for inclusion in the plan.
Children's Services	Leaving Care	Cfwd to 2017/18 to accommodate other higher priority audits.
Children's Services	School Improvement Service	Low risk area – defer to a future year.
Schools	St Peter's, Chippenham Mews, Primary School	Delayed due to changes at the school in Finance and Admin. Added to 2017/18 plan.
City Management & Communities	Waste Disposal	Delayed to allow new contract to start in 2016/17. Added to 2017/17 plan.
City Management & Communities	Corporate Health & Safety	Delayed to allow for changes in structure to embed in 2016/17. Added to 2017/18 plan.
City Management & Communities	Libraries	Service review in 2016/17 so audit deferred until 2017/18 – scope to be agreed.
Growth, Planning & Housing	Three TMOs	Audits at ABC, Thurso Dundee & Charlfield TMOS cancelled due to organisational changes at these TMOS.
Growth, Planning & Housing	Planning (excl Enforcement)	Audit deferred to accommodate additional work on TMOs. Has been included in 2017/18 plan.
Corporate Services	Legal Services – Demand Management	Delayed due to implementation of new systems. Added to 2017/18 plan.
Corporate Services	Legal Services – Trading Accounts	Delayed due to implementation of new systems. Added to 2017/18 plan.
Corporate Services	Managed Services – Income Management	Delayed to allow the system to develop. To consider adding to the 2017/18 audit plan.
Corporate Services	Managed Services – Business Continuity & Disaster Recovery	Delayed to allow for review of BT ISO compliance and added to 2017/18 plan.
Corporate Services	Managed Services - System Administration Access Organisation Hierarchy	Delayed due to other higher priority audits. Consider for inclusion in future audit plan – year to be agreed.
Corporate Services	Managed Services – Change Control Process	Delayed due to other higher priority audits. Consider for inclusion in future audit plan – year to be agreed.
Corporate Services	Managed Services – Intelligent Client Function (ICF)	Delayed due to other higher priority audits. Added to 2017/18 audit plan.
Corporate Services	Managed Services - Interfaces	Audit in 2015/16 was satisfactory so deferred until 2017/18 to allow other higher priority audits to be completed.
Corporate Services	IT - Networks & Telecommunication	Delayed due to re-organisation of service. Added in

Plan Area	Auditable Area	Reason Audit not Undertaken
	Service Contract	as two audits in 2017/18 audit plan.
Corporate Services	IT – Contract Monitoring Arrangements	Delayed due to re-organisation of service. See above for audits planned in 2017/18.
Corporate Services	IT – Office 365	Review post implementation – moved to 2017/18 audit plan.
Corporate Services	HR – Absence Management	Delayed for other higher priority audits. Included in 2017/18 audit plan.
Corporate Services	HR – DBS Checks	Planned for expectation that DBS checking would pass to BT. The function has retained in house so will be planned for a future year.
Corporate Services	Ethics – Declaration of Interest and Gifts & Hospitality	Some changes to Gifts & Hospitality recording so deferred to 2017/18. Declarations of Interest a separate audit on the 2017/18 plan.

Performance Indicators – 2016/17

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

Performance Indicators	Target	Actual	Comments
Delivery			
Percentage of audit jobs completed by 31 March 2017	90%	94%	
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	88%	Slightly under target. Focus on quicker turnaround of draft report.
Percentage of audits finalised within 10 days of a satisfactory response	95%	97%	
Quality			
External audit conclude they can place reliance on Internal Audit work (annual)	Yes	Yes	Liaison with external auditors to provide evidence of internal audit work.
Percentage of jobs with positive feedback from client satisfaction surveys	90%	100%	
Percentage of recommendations implemented by management	95%	94%	130 out of 143 recommendations. Three audits requiring further follow up.

Summary of School Audits
2016/17

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Westminster City Council

2016/17 Schools Year End Report

April 2017

1. Executive Summary

1.1. The Schools Audit Strategy consists of a three-year plan to visit all schools at least once during this period and is designed to cover the requirements of SFVS. The schools audit programme is also in line with the programmes undertaken across the Royal Borough of Kensington and Chelsea and London Borough of Hammersmith and Fulham as part of shared service working across the three boroughs.

1.2. School Audit Visits and Follow Up

1.2.1. Overall in 2016/17, the results have improved since 2015/16 with three schools receiving a Substantial Assurance opinion, eleven schools receiving a Satisfactory Assurance opinion. This compares to four schools receiving a Satisfactory Assurance opinion and three schools receiving a Limited Assurance opinion in 2015/16.

1.2.2. When looking at the results for all schools over the last four years, 7 of 46 schools (including those that have since become academies) have received a Limited Assurance opinion as their most recent opinion.

1.2.3. Three priority one recommendations were raised as a result of the schools audits 2016/17 in comparison to eleven in 2015/16. The issues identified were:

- Evidence of Payroll Starter information not being retained (one school); and

- Insufficient purchase approval process including: lack of purchase orders, unapproved or invalid invoices, lack of goods/services received checks, and late payment (two schools).

1.2.4. The most commonly occurring issues in audit reports were:

- No evidence of Governing Body or delegated committee review of a summary of school expenditure, including overtime, petty cash and expense claims, on an annual basis;

- No documented evidence of Governing Body approval of key documents and policies. Policies include: School Improvement Plan, Charging Policy, Finance Policy, SFVS, Expense Policy, Pay Policy and Scheme of Delegation;

- Not obtaining and retaining evidence of value for money and approval for high value purchases & contracts, via quotes and an appropriate tender process;

- The Local Authority not being properly consulted before entering into leasing agreements;

- Asset registers not being updated on a regular basis and not presented to the Governing Body for review; and

- Adequate Personnel files not being maintained.

1.2.5. Three follow up visits were undertaken in 2016/17 to check the implementation of recommendations raised in previous Limited Assurance reports. Of thirty-seven high or medium priority recommendations, two medium priority recommendations were not implemented, and seven (three high, four medium) were only partly implemented. The results of our follow up work can be seen in Appendix B.

1.3. Proposed Management Actions

1.3.1. This report has proposed a number of actions for management to consider that have not been raised in individual audit reports. The main recommendations are that the Children's Services department should take proactive action, in collaboration with schools, to improve control and address the common areas of weakness identified.

MAIN REPORT

2. Introduction

2.1. This report gives an overall summary of the results of the work we have undertaken on schools during the 2016/17 financial year. This includes a summary of:

- School audit visits and follow up work;
- Additional audit work related to schools; and
- Further action for management to consider.

3. Results of School Audit Visits and Follow Up Visits

3.1. Results of School Audit Visits

3.1.1. A summary of the schools audited in 2016/17, with the results of their most recent OFSTED inspection, is shown in the table at Appendix A. Furthermore, a summary of assurance opinions provided over the last four years covering all schools can be seen in Appendix C.

3.1.2. Overall in 2016/17 the results have improved since 2015/16 with three schools receiving a Substantial Assurance opinion, eleven schools receiving a Satisfactory Assurance opinion. This compares to four schools receiving a Satisfactory Assurance opinion and three schools receiving a Limited Assurance opinion in 2015/16.

3.1.3. When looking at the results for all schools over the last four years, 7 of 46 schools have received a Limited Assurance opinion as their last assurance opinion.

3.1.4. The audit opinion for three schools audited this year has reduced since their last audit with them moving from Substantial to Satisfactory assurance.

3.1.5. Three high priority recommendations were raised as a result of the schools audits 2016/17 in comparison to eleven in 2015/16. The issues identified were:

- Insufficient evidence of Payroll Starter information; and
- Insufficient purchase approval process including: lack of purchase orders, unapproved or invalid invoices, lack of goods/services received checks, and late payment.

3.1.6. The most commonly occurring issues in audit reports were:

- No evidence of Governing Body or delegated committee review of a summary of school expenditure, including overtime, petty cash and expense claims, on an annual basis;
- No documented evidence of Governing Body approval of key documents and policies. Policies include: School Improvement Plan, Charging Policy, Finance Policy, SFVS, Expense Policy, Pay Policy and Scheme of Delegation;
- Not obtaining and retaining evidence of value for money and approval for high value purchases & contracts, via quotes and an appropriate tender process;

- The Local Authority not being properly consulted before entering into leasing agreements;

- Asset registers not being updated on a regular basis and not presented to the Governing Body for review;

- Adequate Personnel files not being maintained;

- Asset registers not being updated on a regular basis and not presented to the Governing Body for review; and

- Complete Personnel files not being maintained.

3.1.7. The Children's Services department should take proactive action, in collaboration with schools, to address common areas of control weakness and improve the control environment within schools. Internal Audit will offer their support where required.

3.2. Results of School Follow Up Work

3.2.1. Three follow up visits were undertaken in 2016/17 to check the implementation of recommendations raised in previous Limited Assurance reports. Of thirty-seven high or medium priority recommendations, two medium priority recommendations were not implemented, and seven (three high, four medium) were only partly implemented. The results of our follow up work can be seen in Appendix B.

3.2.2. Internal Audit are available to offer advice and support where there is any doubt over the implementation of recommendations.

4. The Schools Financial Value Standard (SFVS)

4.1. The Schools Financial Value Standard (SFVS) was launched by the Department for Education (DfE) on 18 July 2011 and has been available for schools to use since September 2011. The standard audit coverage is intended to cover compliance with SFVS.

4.2. The Chief Finance Officer is required to submit an assurance statement to the Department for Education by 31 May 2017 declaring:

- How many Schools have not submitted returns in 2016/17 and the reason why; and

- That a system of audit for schools is in place that gives adequate assurance over their standards of financial management and the regularity and propriety of their spending.

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5. Proposed Actions for Management

5.1. As a result of the work undertaken in 2016/17, we made the following recommendation in addition to those recommendations already raised in individual audit reports:

- The Children's Services department should take proactive action in collaboration with schools to address common areas of control weakness and improve the control environment within schools. Particular areas of focus should include:
  - o Review and approval of a summary of school's expenditure;
  - o Approval of key policies and plans;
  - o Demonstrating value for money and approval is being sought for high value expenditure & contracts;
  - o Maintenance of personnel files;
  - o The consultations required before entering into leasing agreements; and
  - o Maintenance of asset registers.

5.2. An action plan detailing the issues identified and recommendation raised can be found in Appendix E. A formal response is required for the recommendation.

Appendix A - School Audits Undertaken in 2016/17

The table below summarises the assurance opinions and Ofsted inspection results for each of the school audits audited this financial year.

Type of School	School	Audit Opinion				Draft Issue Date	Final Issued Date	Date of last Ofsted	Result of Ofsted
		Nil	Limited	Satisfactory	Substantial				
Primary	All Souls CE Primary			✔		06/01/2016	-	16/06/2011	Good
Junior	Barrow Hill Primary				✔	06/06/2016	21/06/2016	10/09/2014	Good
Primary	Burdett Coutts Primary			✔		18/11/2016	10/01/2017	10/12/2014	Good
Primary	Christchurch Bentinck CE Primary				✔	27/07/2016	13/09/2016	10/10/2013	Good
Primary	Essendine Primary			✔		28/07/2016	13/09/2016	28/02/2013	Good
Primary	Hallfield Primary			✔		18/11/2016	09/12/2016	24/10/2013	Good
Primary	Hampden Gurney CE Primary			✔		20/07/2016	04/10/2016	08/05/2009	Outstanding
High	St Augustines CE High			✔		28/07/2016	27/09/2016	19/09/2013	Outstanding
Primary	St Augustines CE Primary			✔		08/07/2016	19/09/2016	10/10/2013	Good
Primary	St Edward's RC Primary			✔		05/12/2016	06/01/2017	03/10/2014	Good
Primary	St Gabriel's CE Primary				✔	03/11/2016	01/02/2017	12/03/2014	Good
Primary	St Luke's CE Primary			✔		09/06/2016	12/07/2016	09/03/2012	Good
Primary	St Vincent's RC Primary			✔		10/02/2017	-	09/05/2013	Good
Primary	Edward Wilson			✔		24/01/2017	-	14/03/2013	Good
Total		0	0	11	3				

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Appendix B – Recommendation Follow ups Undertaken in 2016/17

The table below shows the follow-up audits to review the implementation of "Limited Assurance" audits assurance opinions provided to each school. Of the 48 recommendations followed up, 35 (73%) were implemented, 9 (19%) were partly implemented and 4 (8%) were not implemented.

School	No. of Recommendation Priority			Implemented			Partly Implemented			Not Implemented		
	High	Med	Low	High	Med	Low	High	Med	Low	High	Med	Low
St James and St John	1	9	5	1	5	3	0	3	1	0	1	1
St Georges School	3	5	6	1	5	4	2	0	1	0	0	1
St Vincent de Paul	5	14	1	4	11	1	1	1	0	0	1	0
Total	9	28	11	6	21	8	3	4	2	0	2	2

Appendix C – Assurance Opinions for All Schools

The table below shows the assurance opinions provided to each school over the last four years.

1.1

School			Year	
	2013/14	**2014/15**	**2015/16**	**2016/17**
Nursery Schools				
Dorothy Gardner		Substantial		
Mary Patterson		Substantial		
Tachbrook		Substantial		
Portman		Substantial		
Primary Schools				
All Souls CE	Satisfactory			Satisfactory
Barrow Hill	Substantial			Substantial
Burdett Coutts	Substantial			Satisfactory
Christchurch Bentinck	Substantial			Substantial
Churchill Gardens (now an Academy)	Limited			
Edward Wilson (audit 2015/16 re-audit 2016/17 due to staff changes)				Satisfactory
Essendine	Limited			Satisfactory
Gateway (now an Academy)	Substantial			
Hallfield	Satisfactory			Satisfactory
Hampden Gurney CE	Substantial			Satisfactory
Our Lady of Dolours RC		Substantial		
Paddington Green		Substantial		
Queen's Park		Substantial		
Robinsfield		Substantial		
St Augustine's CE	Satisfactory			Satisfactory
St Barnabas CE		Satisfactory		
St Clement Danes CE		Substantial		
St Edward's RC	Substantial			Satisfactory
St Gabriel's	Substantial			Substantial
St George's Hanover Square			Limited	
St James' & St Michael's (now St James' & St John's)			Limited	
St Joseph's RC		Satisfactory		
St Luke's CE				Satisfactory
St Mary's Bryanston Square		Satisfactory		
St Mary Magdalene's		Satisfactory		

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St Mary of the Angel's		Substantial		
St Matthew's CE		Substantial		
St Peter's Chippenham Mews				
St Peter's Eaton Square			Satisfactory	
St Saviour's CE		Satisfactory		
St Stephen's CE			Satisfactory	
St Vincent's RC	Substantial			Satisfactory
St Vincent de Paul RC			Limited	
Soho Parish CE			Satisfactory	
Westminster Cathedral		Satisfactory		
Wilberforce (now an Academy)	Satisfactory			
Secondary Schools				
St Augustine's	Satisfactory			Satisfactory
Special Schools				
Queen Elizabeth II		Limited		
College Park		Limited		
Pupil Referral Unit				
Beachcroft (now an Academy)		Satisfactory		

Appendix D - Definition of Audit Opinions

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

S	Substantial	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and few material errors or weaknesses were found.
Sa	Satisfactory	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
L	Limited	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
N	None	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

Appendix E – Recommendations

1. Commonly Occurring Issues

Priority	Issue	Recommendation
2	The most common high and medium priority occurring issues in audit reports were: • No evidence of Governing Body or delegated committee review of a summary of school expenditure, including overtime, petty cash and expense claims, on an annual basis; • No documented evidence of Governing Body approval of key documents and policies. Policies include: School Improvement Plan, Charging Policy, Finance Policy, SFVS, Expense Policy, Pay Policy and Scheme of Delegation; • Not obtaining and retaining evidence of value for money and approval for high value purchases & contracts, via quotes and an appropriate tender process; • The Local Authority not being properly consulted before entering into leasing agreements; • Asset registers not being updated on a regular basis and not presented to the Governing Body for review; and • Adequate Personnel files not being maintained.	The Children's Services department should take proactive action in collaboration with schools to address common areas of control weakness and improve the control environment within schools. Particular areas of focus should include: • Review and approval of a summary of schools expenditure • Approval of key policies and plans; • Demonstrating value for money and approval is being sought for high value expenditure & contracts; • The consultations required before entering into leasing agreements; • Maintenance of asset registers; and • Maintenance of personnel files. This may take the form of training, briefings or guidance notes. Further support should also be provided to those schools that receive a Limited Assurance Opinion.

Management Response		Responsible Officer	Deadline

Audit and Performance Committee Report

City of Westminster

Meeting:	Audit and Performance Committee
Date:	9 May 2017
Classification:	For General Release
Title:	Counter Fraud 2016/17 – End of year report
Wards Affected:	All
Financial Summary:	The Council's budget
Report of:	Steven Mair, City Treasurer (Section 151 Officer)
Report author:	Andy Hyatt, Tri-borough Head of Fraud email: Andrew.hyatt@rbkc.gov.uk 020 7361 3795

> The Audit and Performance Committee's Terms of Reference require that the Committee receive reports on internal and external fraud investigated by the Council. This report is intended to brief members of the Committee in respect of work undertaken by the fraud service during the period 1 April 2016 to 31 March 2017.
>
> **FOR INFORMATION**

1. BACKGROUND

1.1 This report provides an account of fraud related activity undertaken by the Tri-borough Corporate Anti-Fraud Service (CAFS) from 1 April 2016 to 31 March 2017.

1.2 Local authorities have a responsibility to embed effective standards for countering fraud and corruption in their organisation to support good governance and demonstrate effective financial stewardship.

1.3 CAFS continues to provide Westminster City Council with a full, professional counter fraud and investigation service for fraud attempted or committed against the Council.

1.4 Since April 2016 CAFS identified 138 positive outcomes against a target of 125, including 22 prosecutions and 13 recovered tenancies. For the period 1 April 2016 to 31 March 2017, fraud identified by CAFS has a notional value of over £4.5million and is detailed in the following table.

Activity	Fraud	Fraud	Fraud	Fraud

	proved 2015/16	identified 2015/16 (£'s)	proved 2016/17	identified 2016/17 (£'s)
Housing Fraud (inc. applications, assignments & successions)	-	-	3	54,000
Right to Buy	9	935,100	29	3,013,100
Advisory Report	-	-		-
Prevention subtotal	**9**	**935,100**	**32**	**3,067,100**
Tenancy Fraud (CWH and Registered Providers)	6	340,000	13	750,000
Equity Loan Fraud	2	706,460	-	-
Internal Staff and Other Services	10	29,510	18	156,827
Disabled Parking	15	51,667	26	122,649
Resident's Parking	49	277,588	43	277,586
Detection subtotal	**82**	**1,405,225**	**100**	**1,307,062**
Proceeds of Crime (POCA)	1	153,824	5	181,352
Press releases and publicity	-	-	1	-
Deterrence subtotal	**1**	**153,824**	**6**	**181,352**
Total	**92**	**2,494,149**	**138**	**4,555,514**

1.5 Details of sample fraud cases are reported in Appendix 2.

NB: fraud in the different service areas has been valued as follows:
- *Tenancy Fraud: £54,000 per property based upon the average cost of temporary accommodation (£18,000 p.a.) multiplied by the average length of stay (3 years). An additional £8,000 saving is also claimed when keys are returned based upon average cost of legal action and bailiff intervention to recover property via the court (these measures of savings were provided by the Audit Commission before their abolition)*
- *Residents Parking – calculation based upon lost of income as a result of fraudulently obtained or used permits.*
- *Disabled Parking: Seizures, Cautions and Prosecution are valued as £825, £2,822 and £5,644 respectively as per the notional values of estimated lost parking income about the levels of misuse.*

2. WHISTLEBLOWING

2.1 The Council's whistleblowing policy continues to be the main support route for staff wishing to report a concern that they believe they cannot discuss with their line manager.

2.2 Since April 2016 CAFS received two whistleblowing referrals (as defined in the policy) one remains an on-going investigation, the other was resolved and identified financial mismanagement at a local primary school.

2.3 Details of the resolved case are reported in Appendix 1: Case no.1.

3. ANTI-FRAUD STRATEGY

3.1 The Council's Anti-Fraud and Corruption Strategy 2016-2019 is aligned to the national strategy, *Fighting Fraud and Corruption Locally.*

3.2 The strategy is broken down into three key themes; Acknowledge, Prevent and Pursue, and places greater emphasis upon;

- Acknowledging fraud risks and having a thoroughly trained and dedicated anti-fraud resources to investigate allegations and detect fraud
- Preventing fraud by developing and improving controls and anti-fraud techniques across the Council
- Pursuing fraud loss, by imposing sanctions and raising awareness, which deters potential fraud from being committed

3.3 The remainder of this report has been divided into three sub-sections;

i) Fraud Prevention Activities
ii) Fraud Detection Activities
iii) Fraud Deterrence

3.4 Each sub-section contains details of counter fraud activities which follow the strategy and thereby demonstrate how it is deployed and the outputs achieved.

4. FRAUD PREVENTION ACTIVITIES

Fraud in Brief

4.1 In November 2016 CAFS launched a newsletter entitled Fraud in Brief, which was circulated to all Council staff via the intranet.

4.2 The quarterly newsletter aims to keep staff up-to-date with counter fraud activities as well as making them aware of the latest threats and emerging risks, as well as informing staff how to identify the warning signs of fraud and what to if they suspect fraud.

4.3 The first two issues have been well received and

3

contribute towards enhancing the Council's anti-fraud culture and general fraud awareness.

Cybercrime

4.4   In January 2017 CAFS officers all completed a ProQual Level 2 Award in Cyber Security Awareness.

4.5   The aim of the training, and subsequent qualification was to provide officers with a greater understanding of best practice in cyber security, while also understanding the different types of cybercrime threats, from remote attacks like malware or hacking to more intrusive threats like social engineering.

4.6   CAFS realise that protecting the organisation from cybercrime is everyone's responsibility, not just ICT, and while cybercrime remains an increased risk, CAFS want to support ICT by maintaining awareness and disseminating good practice.

4.7   The training provides the Council with the assurance that fraud officers have attained a good level of competency in cyber security and can use this level of knowledge to raise awareness across the Council. Attainment of the qualification also provides officers with additional access to resources which will ensure CAFS are kept up to date with details of new threats, emerging risks and the latest developments.

4.8   Since the training, an eLearning course entitled Introduction to Cybercrime has been designed and made available to Council staff along with several articles in the CAFS newsletter, Fraud in Brief.

Right to Buy (RTB)

4.9   In September 2016 CAFS agreed a revised Service Level Agreement (SLA) with City West Homes' Lessee Services, along with a revised anti-money laundering questionnaire. The SLA declared that all new applications for RTB would be referred to CAFS for vetting.

4.10   This has been a crucial area of prevention activity and for the year 1 April 2016 to 31 March 2017 CAFS have successfully prevented 29 Right to Buys from completion, where concerns were raised regarding the tenant's eligibility or their financial status. In many instances, these have been as a result of the tenant voluntarily withdrawing their application once checking and verification by CAFS commenced.

5.   FRAUD DETECTION ACTIVITIES

Corporate investigations

5.1 Corporate investigations are defined as fraud cases which relate to employee fraud or other third party fraud which does not fall within a particular CAFS service areas such as Housing or Disabled Parking Fraud.

5.2 Since 1 April 2016 work in this area has included;

- The dismissal of a member of staff who had abused their position to influence the procurement of building work at a school, as well as failing to declare a Declaration of Interest.
- The resignation of an employee following an investigation into the mismanagement of a school's financial system.
- The resignation of an employee following an investigation into the misuse of a school's headed stationery for personal gain, namely a false reference.
- A false claim for expenses made to the Post-Adoption Team.
- Business rates misclassification.
- Single Person Discounts removed during investigations into housing and residents parking
- Misuse of concessionary travel including Freedom Passes

5.3 Details of a sample fraud cases are reported in Appendix 1.

Tenancy Fraud

5.4 CAFS continues to provide an investigative support across all aspects of Housing, from the initial applications for assistance to the investigation of tenancy breaches or unlawful subletting.

5.5 As well as working with CityWest Homes CAFS continue to provide investigative support to Private Registered Providers (PRPs) operating within the borough and where CAFS recover properties on behalf of PRPs, following investigations of unlawful subletting; abandonment or false applications for tenancy succession, the nomination rights for these properties are passed to the Council.

5.6 CAFS work across the Housing Department involves prevention as well as detection. The full extent of CAFS activities is described in the table below.

Activity	Fraud proved 2015/16	Fraud proved 2016/17	Notional value 2016/17 (£'s)
CWH Tenancy Fraud	5 (2 keys returned)	8 (4 keys returned)	448,000
PRP Tenancy Fraud	1 (keys returned)	5 (3 keys returned)	302,000
RTB - CWH	9	29	3,013,100
False succession applications	-	3	54,000

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Unlawful Profit Order	1	1	131,875
Total	**16**	**46**	**3,948,975**

5.7 Details of sample cases are reported in Appendix 2.
Disabled parking investigations

5.8 Blue badge anti-fraud work continues to be high profile given the levels of National and Pan London misuse, and it is important that the public is assured that the scheme is protected for those in genuine need.

5.9 CAFS continue to investigate the misuse of disabled parking badges and during the year under review have successfully apprehended 26 offenders who have had appropriate sanctions applied, including 21 successful prosecutions.

5.10 From the 21 successful prosecutions, fines totalling £3,275 were imposed, and defendants ordered to pay the Council a total of £7,255 in costs and victim surcharges.

5.11 Details of sample fraud cases are reported in Appendix 2.

Resident parking investigations

5.12 CAFS continue to investigate the misuse of resident parking permits and to date have successfully apprehended 43 offenders including one successful prosecution. Positive outcomes include fraudulently obtained permits; height restricted vans and permits issued to commercial addresses.

5.13 In three instances the Council has also been compensated for the loss in parking charges, as a result of permit misuse or fraudulently obtained permits, and over £27,000 has been repaid.

5.14 Details of sample fraud cases are reported in Appendix 2.

6. FRAUD DETERRENCE

6.1 Stopping fraud and corruption from happening in the first place must be our primary aim. However, those who keep on trying may still succeed. It is, therefore, important that a robust enforcement response is available to pursue fraudsters and deter others.

Sanctions

6.2 For the period 1 April 2016 to 31 March 2016, CAFS have successfully prosecuted 22 offenders, and currently, have seven cases lodged with the Council's solicitor for prosecution activity.

Proceeds of crime act

6.3   The use of dedicated powers under the Proceeds of Crime Act (POCA) continues to provide rewards with £96,083 awarded of which £49,477 has already been repaid.

Unlawful Profit Orders (UPO)

6.4   When individuals are found to have been unlawfully subletting social housing property, we can make an UPO. This is an order which requires the defendant to pay their landlord any profit they have made from the subletting.

6.5   An unlawful profit order does not require a criminal conviction, and it can be served as part of civil court proceedings.

6.6   Working in partnership with A2 Dominion officers investigated a subletting allegation. Evidence was obtained, including signed statements from subtenants, which proved the case, and following a possession hearing the two-bedroom flat in Wentworth Court, SW1W was repossessed.

6.7   Evidence gathered during the investigation, including financial records, also showed a long history of subletting, and an UPO was served, and the court ordered the defendant to pay a total of £131,875.

Press releases

6.8   To deter fraud attempts it is important that the Council publicise its successes in tackling it. Positive publicity about the successful detection, prosecution or prevention of a fraud may help to deter others.

6.9   CAFS continue to record details of press releases as a positive outcome each time a story is published in a national or local media, news websites or trade magazines.

Moira Mackie
Interim Director for Internal Audit, Risk, Fraud & Insurance

Local Government Access to Information Act – background papers used:
Case Management Information

Officer Contact:
Andy Hyatt
Tri-borough Head of Fraud
Telephone 0207 361 3795

E-mail: andrew.hyatt@rbkc.gov.uk

Anti-fraud Activity 2016/2017 (cases identified between 1 October 2016 – 31 March 2017)   **APPENDIX 1**

	Case Description	**Result/Outcome**
1.	**EMPLOYEE FRAUD** – In May 2016 CAFS were informed of concerns regarding the processing of income received by a local Primary School. It was suspected that money collected was not being paid into the school's bank account causing a discrepancy between the amount received and the amount banked. As a result of an investigation it was established that an employee of the school, the Finance Officer, had deliberately failed to bank approximately £5,000 of the school's income and had failed to keep records of when and how much money she had received from payments such as school meals, school trips, and other cash receipts. This lack of control exposed the school's income to a very high risk of loss and/or theft.	As a result of the investigation disciplinary action was initiated in respect of the Finance Officer. However, before the final hearing, the officer resigned. Their resignation was accepted by the School Governors, and the matter was closed forthwith.
2.	**SCHOOL PLACEMENT (Prevention)** - An application for a school place, from an address on Peabody Estate, Old Pye Street, was verified using the AppChecker tool. The AppChecker showed that the parents did not appear to live at the address where the application was made. Further enquiries established that the property received a single person discount for Council Tax which also suggested this was not a family residency.	Schools challenged the parents over the application, and they received a reply from the child's grandmother and tenant at the Peabody Estate property. She admitted the child does not live at the address but that her daughter stays several days a week, and while she is currently living in Stratford, is applying to live in Westminster. The application was rejected until the child, and her parents are residents of Westminster City Council.

3.	**FALSE EXPENSES** - Allegation received from the Post-Adoption Team within Family and Children's Services suggested that a family had made a false claim. The team were concerned that a family had provided a counterfeit invoice in support of a post-adoption care package which they were receiving for support of two young people in their care. The family had returned to the UK for an assessment and review meeting, and claimed that they had incurred rental expenses while in the UK. However, enquiries established that they owned the property they claimed to have rented. Enquiries also uncovered several other properties which they were renting, and it transpired that this income had not been declared during the financial assessment for adoption support.	A family's financial circumstances were reassessed and their adoption support reduced by £152 per week, and private school fees were withdrawn. In total, a financial saving of £11,368 was identified.
4.	**RESIDENT PARKING PERMIT FRAUD** - An allegation was received claiming that a dentist working in Westminster, had illegally obtained a resident parking permit for a property in Maida Avenue and was using it to enable her to park her car during business hours even though she lived in Hendon. Enquiries established that the allegations were proven and as a result, it was calculated that the dentist had evaded parking costs in the region of £14,122 between 08 November 2011 and 06 January 2016 when parking in connection with her business.	The defendant was summonsed to court on 14 December 2016. However, she requested an adjournment to obtain legal advice and subsequently approached the council seeking an out of court settlement as an alternative to criminal prosecution. They offered to pay compensation to the Council for the full value of the parking liability she was alleged to have evaded as well as reimbursing the costs of the investigation. In January 2017 a payment of £16,622 was made which represented the loss to the Council in parking fees, £14,122 and £2,500 the cost of investigation and initial legal fees.

5.	**TENANCY FRAUD** – Octavia housing referred a case when they had concerns that the tenant of a Belgrave Gardens address was not resident and possibly subletting. Their suspicions were further aroused by the fact the tenant had made rent payments in advance for one year. Initial enquiries failed to provide any other addresses for the tenant so an interview was arranged at Octavia's offices, in response to an E-Mail which was sent by their system the tenant contacted the office and advised that he was in Cyprus and would return soon for the interview. A check with the Home Office showed that the tenant had in fact only been in the UK for 14 days in 3 years. Additional enquiries then identified a business which he owned in Cyprus.	The tenant attended an interview with investigation officers but decided part way through that he wanted to terminate the tenancy rather than continue, eight weeks was agreed by Octavia and the keys have now been returned. The nomination rights for this two-bedroom property have been passed to Westminster City Council.
6.	**BUSINESS RATES and RESIDENTS PARKING** – During the investigation of a potential residents parking fraud in Elgin Avenue, officers visited a premises which was trading as a supermarket. The officers discovered that the permit holder was not resident and therefore had fraudulently obtained the badge. However, they also discovered that the property where the permit was registered, was not a residential property but storage for the supermarket.	The permit was immediately cancelled, and working in partnership with the Council's business rate contractors, the premises was re-evaluated as a commercial building and, a new bill for approximately £14,000 was raised. This has since been collected in full. The permit holder was also prosecuted and pleaded guilty to three offences under the Fraud Act 2006 and as a result ordered to pay a total fine of £1,250 and order to pay costs of £2,320.

7.	**BLUE BADGE FRAUD** – During an inspection regime checking on disabled bays, officers saw the driver of a Mercedes S-Class place a Blue Badge on the dashboard, exit the vehicle and then wait. As the officer approached the driver to inspect the badge, the driver realised he was about to be questioned, jumped into the vehicle and waved his hand saying, "no, no, no" as he reversed. The officer called to see the badge, but as he did, the driver removed the badge from the dashboard. He stopped and exited the vehicle but failed to co-operate with the officer, but maintained he had no intention to park in a disabled bay, using his wife's badge. His wife was not present.	The case was heard at Hammersmith Magistrates Court in March 2017. The driver entered a not guilty plea and footage of the incident, obtained on the officer's body camera, was played to the court. The defendant was sworn in, and he initially stated that he did not have a Blue Badge on display. However, when told he had written a statement to the Court explaining that he placed the Badge on display "accidentally without thinking", he retracted his comments saying he meant he did not "usually" display the badge. He then claimed there was no where else to stop the vehicle, but the video evidence disproved this. The Lay Justices took ten minutes to deliberate the case, and came to the conclusion that the defendant was attempting to use the Badge and found him guilty. In sentencing, he was ordered to pay a fine of £450, ordered to pay costs £650 and a victim surcharge of £45.
8.	**RESIDENT PARKING PERMIT FRAUD** - An application for a resident's parking permit was made on the basis that the applicant is resident in Westminster at an address in Brompton Rd, SW3. A full permit was not issued as he had failed to provide sufficient proof of residency. As a result, a temporary permit was issued pending the outcome of an investigation by the Corporate Anti-Fraud Service.	A visit to the Brompton Rd address which revealed that it was a business, Café Concerto. Enquiries were made with Cafe Concerto staff who advised that the applicant was not an employee and that there was no residential element to the property. As a result, the permit application was cancelled. The temporary permit was cancelled forthwith, the application rejected and no refund issued.

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Audit & Performance Committee Report

City of Westminster

Meeting:	**Audit & Performance Committee**
Date:	**9 May 2017**
Classification:	**General Release**
Title:	**Work Programme**
Wards Affected:	**N/A**
Financial Summary:	**There are no direct financial implications arising from this report**
Report of:	**Head of Committee & Governance Services**
Report Author:	**Reuben Segal, Senior Committee and Governance Officer. Tel: 020 7641 3160 or email: rsegal@westminster.gov.uk**

1. Executive Summary

1.1 The Committee is invited to review the draft work programme for 2017/18, attached at appendix 1.

1.2 The Committee is asked to note the actions which arose from the last meeting and the work undertaken in response, as detailed in appendix 3.

1.3 Proposals for the on-going monitoring of the Managed Services Contract (Finance, Payroll and HR) are set out in section 4.

2. Recommendations

1. That the Committee agrees its Work Programme for 2017/18 attached as at **appendix 1** to the report.

2.   That the work undertaken in response to the actions which arose from the last meeting, as detailed in at **appendix 3** to the report, be noted.

3.   That the proposals for on-going monitoring of the Managed Services Contract (Finance, Payroll and HR) as set out in section 4 be agreed.

3.   Choosing items for the Work Programme

3.1   A draft Work Programme for 2017/18 is attached at appendix 1 to the report.

3.2   Members' attention is drawn to the Terms of Reference for the Audit and Performance Committee (attached as appendix 2) which may assist the Committee in identifying issues to be included in the Work Programme.

3.3   The work programme will be reviewed at each meeting of the Committee and items can be removed or added as necessary.

4.   Monitoring of the Managed Services Contract

4.1   The Managed Services Programme (MSP) was set up to introduce an external managed service delivering finance, payroll and HR processes. The Committee has maintained a regular oversight of the Managed Services contract since problems were identified with the rollout of the new system in April 2015. The current contract runs until May 2019.

4.2   Officers are progressing work on three fronts; completing implementation of agreed services, resolving outstanding commercial issues and looking at options to re-procure the service.

4.3   It has been suggested by the Chairman that the committee continue to receive updates if and when key critical issues associated with the contract's performance (operational system and Shared Services Centre) arise and on any major risks that develop.

4.4   For the most part scrutiny of the re procurement of an alternative service falls to the relevant Policy and Scrutiny Committee. However, there is some overlap with the Audit and Performance committee, particularly in view of the issues identified in the current contract.

4.5   At its meeting on 10 April the Housing, Finance & Corporate Services Policy and Scrutiny Committee supported a proposal to establish a task group to scrutinise

the re-procurement of an alternative service reporting to both the Policy and Scrutiny Committee and the Audit and Performance Committee with members drawn from both. The Committee is asked to endorse this proposal.

5.   Monitoring Actions

5.1   The actions arising from each meeting are recorded in the Action Tracker attached as appendix 3. Members are invited to review the work undertaken in response to those actions.

6.   Resources

6.1   There is no specific budget allocation for the Audit and Performance Committee.

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

Reuben Segal, Senior Committee and Governance Officer

Tel: 020 7641 3160 or email: rsegal@westminster.gov.uk

APPENDICES:

Appendix 1 – Draft Work Programme 2017/18

Appendix 2 – Terms of Reference

Appendix 3 – Committee Action Tracker

BACKGROUND PAPERS:

None

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Work Programme 2017/18

Audit and Performance Committee

17 July 2017

Agenda Item	Reasons & objective for item	Lead Officer
Work Programme 2017/18	The Committee is invited to review its work programme for the 2017/18 municipal year.	Reuben Segal
Annual Statement of Accounts	To formally receive and approve the final accounts with any update arising from the public inspection period.	Steve Mair (Finance)
Annual Contracts Review 2016/17	To review of the City Council's contracts, including details of contracts awarded, waivers and performance.	Anthony Oliver (Procurement)
2016/17 End of year Performance Business Plan Monitoring and Period 2 (May) Report	The year-end report presents detailed performance results for the year April 2016 to March 2017 against the 2016/17 business plans. To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA	Steve Mair (Finance) Damian Highwood/Mo Rahman (Performance)

	revenue and capital expenditure and reserves.	
Capital Programme Delivery Review	To consider key solutions to address concerns regarding delays in the delivery of key capital projects including how the capacity and capability of the organisation to deliver capital programmes can be enhanced. To receive an overview of the implementation of the new approach across 3 or 4 schemes.	Steve Mair (Finance)
Draft Investment Strategy 2018/19	An assessment of the draft investment strategy prior to submission to Council for approval.	Steve Mair (Finance)
Discretionary Housing Payment (DHP) Delegated Decisions	To receive an overview of DHP applications received and determined at officer level in the last 12 months including amounts awarded as well as information on procedures and verification processes.	Gwynn Thomas Senior Benefits Policy Officer

18 September 2017

Agenda Item	Reasons & objective for item	Lead Officer
Work Programme 2017/18	The Committee is invited to review its work programme for the 2017/18 municipal year.	Reuben Segal
Finance & Performance Business Plan Monitoring Report	To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves. To monitor Quarter 1 performance results against the 2017/18 business plans	Steven Mair (Finance) Mo Rahman (Performance)
Internal Audit Monitoring Reports	To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	Moira Mackie's (Internal Audit)
Commercial Revenue Performance	To consider the performance and outcomes as well as future targets of corporate commercial revenue performance. To examine the risks and mitigations associated with achieving these objectives.	Steve Mair (Finance)
General Fund Reserves Policy	To consider how the aim to build up further general fund reserves over the next 5 years can be delivered and the risks for achieving this together with mitigation measures.	Steve Mair (Finance)

Performance Target Setting	To receive a report on how key service performance indicators are set, whether these are realistic, set with plausible margins of error and based on stable models. To review those key service performance indicators that have been consistently off track.	Damian Highwood/Mo Rahman (Evaluation and Performance)

23 November 2017

Agenda Item	Reasons & objective for item	Lead Officer
Work Programme 2017/18	The Committee is invited to review its work programme for the 2017/18 municipal year.	Reuben Segal
Grant Thornton Annual Audit Letter 2016/17	To consider Grant Thornton's assessment of the Council's financial statements and its arrangements to secure value for money in its use of resources.	Elizabeth Jackson Paul Dossett (Grant Thornton)
Corporate Complaints 2016/17	To report on the volume and details of complaints received by the Council and CityWest Homes in 2016/17.	Sue Howell (Complaints)
Finance & Performance Business Plan Monitoring Report	To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves. To monitor Quarter 2 performance results against the 2017/18 business plans	Steven Mair (Finance) Damian Highwood/Mo Rahman (Performance)
Internal Audit Monitoring Report	To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	Moira Mackie (Internal Audit)
Mid-Year Counter Fraud Monitoring Report	To oversee and monitor the success of the Counter Fraud Service	Andy Hyatt (Anti-Fraud)

1 February 2017

Agenda Item	Reasons & objective for item	Lead Officer
Work Programme 2017/18	The Committee is invited to review its work programme for the 2017/18 municipal year.	Reuben Segal
Grant Thornton Certification of Claims and Returns Annual Report (Audit 2016/17)	To report the findings from the certification of 2016/17 claims and the messages arising from the assessment of the Council's arrangements for preparing claims and returns and information on claims that were amended or qualified.	Elizabeth Jackson Paul Dossett (Grant Thornton)
Grant Thornton Annual Audit Plan 2017/18	To set out the audit work that Grant Thornton proposes to undertake for the audit of the financial statements and the value for money (VFM) conclusion 2017/18.	Elizabeth Jackson Paul Dossett (Grant Thornton)
Finance & Performance Business Plan Monitoring Report	To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves. To monitor Quarter 3 performance results against the 2017/18 business plans	Steven Mair (Finance) Mo Rahman/Damian Highwood (Performance)
Maintaining High Ethical Standards at the City Council	To maintain an overview of the arrangements in place for maintaining high ethical standards throughout the Authority	Tasnim Shawkat (Monitoring Officer)
Internal Audit Monitoring Report	To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	Moira Mackie (Internal Audit)

Internal Audit Plan 2018/19	To review and comment on the draft audit plan for 2018/19	Moira Mackie (Internal Audit)

30 April 2017

Agenda Item	Reasons & objective for item	Lead Officer
TBC		

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AUDIT AND PERFORMANCE COMMITTEE TERMS OF REFERENCE

CONSTITUTION

4 Members of the Council, 3 Majority Party Members and 1 Minority Party Member, but shall not include a Cabinet Member.

TERMS OF REFERENCE

Audit Activity

1. To consider the head of internal audit's annual report including the auditor's opinion on the Council's control environment and a summary of internal audit and anti-fraud activity and key findings.

2. To consider reports, at regular intervals, which summarise:

    *   the performance of the Council's internal audit and anti fraud service provider/s
    *   audits and investigations undertaken and key findings
    *   progress with implementation of agreed recommendations

3. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

4. To consider specific reports as agreed with the external auditor.

5. To comment on the scope and depth of external audit work and to ensure it gives value for money.

6. To liaise with the Independent Auditor Panel (once established) over the appointment of the Council's external auditor.

7. To comment on the proposed work plans of internal and external audit.

Regulatory Framework

8. To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.

9. To review any issue referred to it by the Chief Executive or a Director, or any Council body.

10. To monitor the effective development and operation of risk management and corporate governance in the Council.

11. To monitor Council policies on 'Raising Concerns at Work', the Council's complaints process and the Antifraud and Corruption Strategy; specifically the effectiveness of arrangements in place to ensure the Council is compliant with the Bribery Act 2010.

12. To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.

13. To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

14. To consider the Council's compliance with its own and other published standards and controls.

15. To maintain an overview of the arrangements in place for maintaining High Ethical Standards throughout the Authority and in this context to receive a report annually from the Head of Legal and Democratic Services and the Chief Finance Officer.

Accounts

16. To review the annual statement of accounts and approve these for publication. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

17. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Performance Monitoring

18. To review and scrutinise the financial implications of external inspection reports relating to the City Council.

19. To receive the quarterly performance monitoring report and refer any issues which in the Committee's view require more detailed scrutiny to the relevant Policy and Scrutiny Committee.

20. To review and scrutinise personnel issues where they impact on the financial or operational performance of the Council including but not limited to agency costs, long-term sickness, ill health early retirements and vacancies; and

21. To review and scrutinise Stage 2 complaints made against the City Council and monitor progress.

22. To consider and advise upon, prior to tender, the most appropriate contractual arrangements where a proposed contract has been referred to the Committee by the Chief Executive.

23. To maintain an overview of overall contract performance on behalf of the Council.

24. To review and scrutinise contracts let by the Council for value for money and adherence to the Council's Procurement Code.

25. To review and scrutinise the Council's value for money to Council tax payers.

26. To scrutinise any item of expenditure that the Committee deems necessary in order to ensure probity and value for money.

Staffing

27. To advise the Cabinet Member for with responsibility for Finance on issues relating to the remuneration of all staff as necessary.

28. In the course of carrying out its duties in respect of 27 above, to have regard to the suitability and application of any grading or performance related pay schemes operated, or proposed, by the Council.

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ACTION	OUTCOME	LEAD OFFICER
FINANCE (PERIOD 9) AND PERFORMANCE BUSINESS PLAN (QUARTER 3 APRIL-DECEMBER 2016) MONITORING REPORT		
<u>Finance</u> 1. Provide the committee with the cost of leasing accommodation at 5 Strand and Portland House as part of the City Hall refurbishment programme.	The details were circulated on the 10th March.	**Steve Mair, City Treasurer**
<u>Performance</u> 2. Advise whether the pressure on Adult Service budgets are likely to have an impact on future eligibility criteria;	This information was circulated on the 6th March.	**Damian Highwood/Mo Rahman – Evaluation and Performance**
3. The slowness to get the Young Westminster Foundation up and running has left a service gap (for instance Stowe Youth Centre reducing its opening times and provision) – what progress has been made and what impact will the delay have on services?	This information was circulated on the 6th March.	**Damian Highwood/Mo Rahman – Evaluation and Performance**
4. Clarify what steps can be taken to deal with rough sleepers who refuse support, but contribute to antisocial behaviour;	This information was circulated on the 6th March.	**Damian Highwood/Mo Rahman – Evaluation and Performance**
5. Is planning performance getting back on track in terms of determining applications for non-major developments?	This information was circulated on the 6th March.	**Damian Highwood/Mo Rahman – Evaluation and Performance**
6. Circulate updated demographics of long term unemployed in Westminster together with details of the costs/benefits associated with supporting those into employment as well as details of the outcomes achieved to date;	This information was circulated on the 6th March.	**Damian Highwood/Mo Rahman – Evaluation and Performance**
7. Provide some narrative as to how social value has been used to support distinctly i) local residents, and ii) local businesses;	This information was circulated on the 6th March.	**Damian Highwood/Mo Rahman – Evaluation and Performance**
8. Does the Council have an IT strategy to mitigate the risk from failure of remaining legacy data centre services and the risk of malicious virus/hacking from external sources?	This information was circulated on the 6th March.	**Damian Highwood/Mo Rahman – Evaluation and Performance**

9.	Provide more information in the next quarterly report around the HR metrics and MSP improvement plans in place to resolve the current lack of dashboard data which is impacting on policy development and workforce planning. Confirm the number of staff in the council;	This information was circulated on the 6th March.	**Damian Highwood/Mo Rahman – Evaluation and Performance**
10.	Detail how Cornerstone has marketed for new potential Foster Carers – how might this change to deliver improved performance which has been off track for some time?	This information was circulated on the 6th March.	**Damian Highwood/Mo Rahman – Evaluation and Performance**
INTERNAL AUDIT MONITORING REPORT 2016-17 (OCTOBER TO DECEMBER 2016)			
Provide the committee with an analysis of potential risks for service areas moving from a shared service to another structure.		This has been superseded by the report from the Chief Executive on the current agenda on Tri-Borough Shared Services Arrangements	**Moira Mackie, Interim Shared Services Director Audit, Fraud Risk and Insurance**)
INTERNAL AUDIT PLAN 2017-18			
Provide the committee with the updated audit plan once it is finalised in March.		This was circulated on 27th of April	**Moira Mackie, Interim Shared Services Director Audit, Fraud Risk and Insurance**)