Audit and Performance Committee Report

![City of Westminster logo]

Meeting:	Audit and Performance Committee
Date:	2 December 2015
Classification:	For General Release
Title:	Internal Audit Progress Report – September to October 2015
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 although one limited and one no assurance audits have been issued.

1.2 Follow up reviews completed in the period confirmed that the implementation of medium and high priority recommendations has been consistently 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** - Internal Audit Service – Performance Indicators & Assurance Levels

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 No internal audit work has yet been undertaken on the Council's key financial systems due to the implementation of the Managed Services Programme. However, the results of the audit reviews undertaken in the reporting period concluded that generally systems operating throughout the Council are satisfactory.

4.3 One limited and one no assurance report has been issued:
   - Fostering & Adoption;
   - Multi-user logins.

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

5.   Audit Outcomes (September to October 2015)

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

Audit	Assurance	RAG
Risk Management	Satisfactory	Green
Housing Service Charges	Substantial	Green
Asset Management & Valuations	Satisfactory	Green
Adult Education Service	Satisfactory	Green
Mental Health Care Management	Satisfactory	Green
Parking IT Application Review	Satisfactory	Green

Further information on these audits is contained in Appendix 2.

The findings from the limited and no assurance audits are summarised in paragraphs 5.1.1 to 5.1.2 below:

5.1.1 **Tri-borough Fostering & Adoption (Amber)**
The Tri-borough Fostering and Adoption Service was formed in 2012 with the aim of delivering a fully integrated and co-located service that provides a range of temporary and permanent placements with carers and adoptive families for children under the care of the local authority. The service is organised as three combined teams under the management of a single Head of Service with approximately seventy staff who report to the Director of Family Services. The Tri-borough Director of Children's Service has overall responsibility for the service.

The audit was undertaken to review the system controls and processes in particular the:
- service structure;
- governance arrangements;
- case management processes;
- payments to carers;
- budgetary control;
- management information; and
- case management systems.

The audit also examined progress made in aligning system processes since delivery of the service on a shared basis commenced in 2012.

The audit identified that:
- Service objectives detailing how the service is delivered are set out in the Tri-borough Children's Plan 2014/15 and the Statement of Intent document;

- Governance arrangements are appropriate with regular reports to all key stakeholders and clear lines of responsibility for the service;
- The Fostering and Adoption Panel terms of reference document has been updated to reflect the change in service delivery and role of the panel across the shared service;
- Case assessments are subject to appropriate review and scrutiny by a senior social worker and Head of Service where appropriate and completed within agreed timescales;
- All relevant case management documentation and correspondence are held across a number of case management systems and applications; and
- Appropriate management information and activity reports are produced for management and stake holders to monitor service performance and achievement of key targets.

However a number of areas were noted where key controls were inappropriate or lacking and could be improved. Two high priority and four medium priority recommendations were made to address the weaknesses identified as follows:
- Consideration should be given to identifying a fully integrated case management system to replace the current arrangement where multiple systems and applications are used by the service;
- All social workers within the service and carers registered with the service should have up to date Disclosure and Barring Service clearances in place;
- Case management records and documents should be held in a logical and orderly manner with the corresponding case reference number;
- Carer payments should be subject to regular review to ensure they are eligible for the fee and allowance paid;
- Budget reports should be sent to all budget holders on a regular basis to enable them to monitor and manage their allocated budgets.

The recommendations have been accepted and actions identified to address the weaknesses and these will be followed up later in the year.

5.1.2 Tri-borough Multi-user Logins (Red)

The Tri-borough Chief Information Officer requested an audit of the management of application and network access by users across the tri-borough councils. When the Tri-borough infrastructure was introduced in 2012, a number of dual logins were created to enable users to work across two or more boroughs until a permanent solution was in place. This work is now complete and most users are expected to work using the login and equipment provided by their employing borough. A small number of exceptions to this currently remain where a technical solution is not available at the present time. There is a risk that some of these accounts are not being managed appropriately and severe control weaknesses persist as a result. Furthermore accounts may not be terminated appropriately following the officer leaving or their position changing.

Further to this, allowing an officer multiple login accounts creates a number of subsidiary risks; including duplication of licensing, additional support requirements, security, and lack of effective management control. A number of financial and control impacts are created as a result. Although ICT services across the three boroughs aim to assist with the control of the associated risks it the responsibility of each service director to manage the controls and residual risk in place. Five high priority and one medium priority recommendations have been made to address the weaknesses identified in the current system:

- A Responsible Party needs to be established to engage with the major stakeholders in ICT, Human Resources and Facilities Management to examine the risk to the three authorities in more detail and agree on appropriate action moving forward;
- The Responsible Party should ensure Directors, Senior Management and Management are made aware of the impacts of misusing the SML process;
- Where it can be demonstrated the SML process has been misused historically, appropriate corrective action should be taken. Senior Management should ensure operational management understand the risks and impacts of such actions;
- The Responsible Party should ensure all relevant stakeholders are raising awareness of the impacts and consequences at all levels and action should be taken to ensure comprehension of the correct process;
- All network accounts that have not been actively used after three months should be subject to compulsory termination across all three boroughs; and
- The Responsible Party should drive the engagement with the Shared Application Programme and ensure that the benefits and necessity of this Programme as the approved business process for shared service ICT working is embedded across all three organisations.

All recommendations were accepted by management for implementation by November 2015.

5.2 **Implementation of Audit Recommendations**

In the period under review, three follow up audits were undertaken which found that the implementation of recommendations was good with 100% of high and medium priority recommendations implemented or being implemented at the time of the review:

Audit	No of Recs Made	No of Recs Implemented	No of Recs In Progress
Grants – Monitoring of Outcomes	2	1	1 (1 Medium Priority)
Youth Offending Team	1	1	0
Resident Parking Scheme	4	4	0
Totals	**7**	**6**	**1**

5.3 **Performance of the Internal Audit Service**

The key performance indicators for the internal audit service are contained in Appendix 4. As shown by the performance indicators, the quality of audits delivered was of a high standard with recommendations accepted and implemented in a timely manner and positive satisfaction surveys received from auditees.

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

Moyra McGarvey on 020 7361 2389 Email: Moyra.Mcgarvey@rbkc.gov.uk

or

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 2015/16

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 Personalisation (Cfwd from 2014/15)	*Green*	*SATISFACTORY*	0	2	0	Sep-15
Adult Social Care	Tri-b – Residential Placements (Cfwd from 2014/15)	*Amber*	*LIMITED*	3	5	1	Sep-15
Adult Social Care	Tri-b Mental Health Care Management (Cfwd from 2014/15)	*Green*	*SATISFACTORY*	0	5	0	Dec-15
Children's Services	Tri-b Commissioning & Procurement Governance (Cfwd from 2014/15)	*Green*	*SATISFACTORY*	0	3	3	Sep-15
Children's Services	Tri- b Passenger Transport – Post Procurement Review (Cfwd from 2014/15)	*Amber*	*LIMITED*	4	7	5	Sep-15
Children's Services	Tri-b School Meals Contract (Cfwd from 2014/15)	*Green*	*SUBSTANTIAL*	0	0	3	Sep-15
Children's Services	Tri-b Early Help (Cfwd from 2014/15)	*Green*	*SATISFACTORY*	0	3	3	Sep-15
Children's Services	Tri-b Fostering & Adoption	*Amber*	*LIMITED*	2	4	0	Dec-15
Corporate Services	Tri-b – MSP Data Migration	*Amber*	*LIMITED*	3	0	0	Sep-15
Corporate Services	Tri-b – MSP Interfaces & Acceptance Testing	*Amber*	*LIMITED*	1	6	0	Sep-15
Corporate Services	DBS Checks	*Amber*	*LIMITED*	5	3	1	Sep-15
Corporate Services	Tri-b Procurement Pre-Qualification Process - Voice & Data Network	*Green*	*SUBSTANTIAL*	0	0	1	Sep-15
Corporate Services	Tri-b Multi-user Logins (Cfwd from 2014/15)	*Red*	*NONE*	5	1	0	Dec-15
Corporate Services	Risk Management	*Green*	*SATISFACTORY*	0	6	1	Dec-15

Audits Completed – Year to Date 2015/16

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Growth, Planning & Housing	Management of TMOs	*Amber*	*LIMITED*	1	7	4	Sep-15
Growth, Planning & Housing	Service Charges	*Green*	*SUBSTANTIAL*	0	1	1	Dec-15
Growth, Planning & Housing	Asset Management and Valuations	*Green*	*SATISFACTORY*	1	3	3	Dec-15
Growth, Planning & Housing	Adult Education Service	*Green*	*SATISFACTORY*	1	6	5	Dec-15
City Management & Communities	Parking – IT Application Audit	*Green*	*SATISFACTORY*	1	4	1	Dec-15

Additional Information on Audits

1. Risk Management (Main Report – Paragraph 5.1)

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 and they use a combination of strategic and operational risk registers to help ensure risk management is addressed in an integrated way. A significant amount of work has been undertaken recently to improve the recording and reporting of risk across the Council and this needs to be given consistent and ongoing focus to enable risk management to become properly embedded within the organisation. A Strategic Risk Report is produced reporting current and emerging risks from the registers which is reviewed by the Audit & Performance Committee (last reported in September 2015).

Six medium and one low priority recommendations were made to address weaknesses identified all of which are due to be implemented by the end of November 2015.

2. Housing Service Charges (Main Report – Paragraph 5.1)

A service charge is a payment made by a tenant, leaseholder or freeholder towards the cost of providing and maintaining services and benefits beyond the immediate occupation of their home – for instance, the provision of a community alarm system on a sheltered scheme. Service charges can be fixed or variable depending on the terms of the tenancy agreement. For leasehold properties (including shared ownership and right to buy) the range of items covered by the service charge is greater and will be set out in the relevant agreement. Service charges are based on two factors; block costs and estate costs. Both sets of costs are apportioned based on number bed spaces applicable divided total bed spaces.

One medium and one low priority recommendation were made which will be implemented by CityWest Homes.

3. Asset Management & Valuations (Main Report – Paragraph 5.1)

The Council's Corporate Property service is responsible for the provision of an integrated Property Asset Management Service to meet the future needs of the Council. The operational property portfolio consists of approximately 400 properties, and the investment property portfolio includes over 400 assets and generates revenue for the Council of approximately £24,000,000 per annum. A system called Techforge is being implemented to manage the Council's property portfolio. An exercise is being undertaken to collate and refine the information held by the Corporate Finance team, the managing agent of the investment portfolio and Corporate Property in order to produce a definitive record of the Council's properties to provide an accurate scope for the year end valuation and for upload to Techforge.

The Council has to comply with the requirements laid out within International Financial Reporting Standards, CIPFA Code of Practice on Local Authority Accounting, and specifically IAS 40 – Investment Properties and IAS 16 – Property, Plant and Equipment in relation to the valuations of property assets. An annual valuation of the entire investment portfolio is undertaken by Lambert, Smith, Hampton. The operational portfolio needs to be valued every 5 years and 20% of the portfolio is valued each year.

The work to cleanse the property data prior to uploading to Techforge has identified a number of issues with the data held by the managing agent of the investment portfolio which have been raised with them. One high priority recommendation has been made for Corporate Property to continue to monitor the progress made by the managing agent to address these issues. In addition, two medium priority recommendations have been made in respect of:
- Continuing the work to collate, cleanse and refine the data held on properties and to take appropriate action to address errors, inconsistencies and incomplete data; and

- Training additional staff within Corporate Finance to use and maintain their system (RAM) with a designated officer having overall responsibility for the system.

All recommendations have been accepted and are due to be implemented by March 2016.

4. Adult Education Service (Main Report – Paragraph 5.1)

An internal audit review was requested on the financial controls and processes within the Westminster Adult Education Service (WAES). WAES is an adult college, offering full-time and part-time study in the daytime, evenings and at weekends. The service is part of the Growth, Planning & Housing service area within the Council and is funded by the Skills Funding Agency (SFA) to deliver vocational qualifications including English and Maths, Apprenticeships and Grant funded for working with communities and hard to reach learners. WAES also offer full cost courses, which are not subsidised by the SFA or WCC.

The services main sources of income include grants (£10m) and course fees (£1m). WAES have its own Board of governors that includes elected members of the City Council and members from the community and local organisations. WAES operate out of four sites: Pimlico Centre, Amberley Centre, Venture House and Lisson Grove.

One high, six medium and five low priority recommendations were made to improve income and expenditure controls, all of which have been accepted and will be implemented by December 2015.

5. Mental Health Care Management (Main Report – Paragraph 5.1)

The Council has duty of care towards its residents including undertaking community care assessments for people who may be in need of community care services, because of mental health problems. Under Section 117 of the Mental Health Act 1983, service users who have been in hospital are entitled to free aftercare if they have been:

- Detained in hospital for treatment (under Section 3);
- Transferred from prison to hospital (under Section 47 or 48); and
- Ordered to go to hospital by a court (Section 37 or 45A).

Aftercare is the help that is provided to service users after they have left hospital and will be arranged by the user's local NHS Clinical Commissioning Group (CCG) and local authority. Section 75 of the Care Act 2014 makes 3 fundamental changes to Section 117:

- After care services are defined as services which (i) meet a need arising from or related to the person's mental disorder, and (ii) reduce the risk of a deterioration of the user's mental condition (and, accordingly reducing the risk of the user requiring admission to a hospital again for treatment for the disorder);
- Currently Section 117 allocates responsibility to the local authority or CCG where the discharged patient is resident, under the provisions of the Care Act 2014 responsibility is given to the local authority in which the user was ordinarily resident immediately prior to being detained, with ordinary residence being determined in accordance with Ordinary Residence Guidance (the service is awaiting advice from the Head of Social Care and Litigation on this matter); and
- A new Section 117A of the Mental Health Act is concerned with preference for particular accommodation and the Secretary of State is empowered to make regulations which will require local authorities to comply with a user's preferences for particular accommodation, as long as the preferred accommodation meets the identified aftercare needs, with the user paying a top-up fee if the preferred accommodation is more than local authority's usual cost.

The duty to provide aftercare services under Section 117 ends when the CCG and local authority are both in agreement that the user is no longer in need of such services, they can only be satisfied that the user is no longer in need of aftercare services if they have monitored the user's progress in the community since discharge.

Five medium priority recommendations were made to improve controls which are due to be implemented by December 2015.

6. Parking IT Application Audit (Main Report – Paragraph 5.1)

The Council awarded two separate four-year contracts covering the provision of parking staff and parking technology which came into effect from November 2014. Under the People and Resources contract, the contractor provides approximately 100 traffic 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, the contractor provides back office processing and administration services relating to penalty charge notices, parking payment systems and the Councils parking system (known as Si-Dem). As part of the contract, a number of sub contractors provide specific services including payment by phone, parking permits administration and management systems to ensure efficient deployment of parking services resource within the borough. The audit examined the IT system and controls in place for the Si-Dem parking application which is a cloud based system with access via a secure web based portal.

One high, four medium and one low priority recommendations were made to address weaknesses in the following areas:

- Access privileges for a small number of accounts were not commensurate with the users' roles and were not reviewed on a regular basis which could compromise the access security of the application;

- Password controls needed strengthening user account activity should be reviewed perdiodically;

- The disaster recovery and business continuity arrangements need to be tested in the live environment; and

- The third party cloud services solution provider should confirm that they are handling and processing the Council's data in compliance with the Data Protection Act.

All recommendations have been accepted and are due to be implemented by January 2016.

7. Children's Services – Fostering & Adoption (Main Report – Paragraph 5.1.1)

The tri-borough service has become more integrated and aligned since it formed in 2012 with a greater level of integration in terms of how cases are allocated and case work undertaken by social workers across the shared service. However the service utilises a number of case management systems which are all used by social workers and business support officers including the following:

- Frameworki: Children's case management system used by Westminster and Hammersmith &Fulham. All case notes are maintained on this system and payments to carers are also generated through Frameworki via an interface with the shared service financial system (Agresso);
- Integrated Children's System: Children's case management system used by Kensington & Chelsea. This is an in-house developed system and holds basic information regarding a placement;
- FPU Database: This holds all carer data and information for the three Councils. Information regarding Disclosure & Baring Service (DBS) checks and personal data relating to the registered carer are held on this database. It is also used to generate a payment file for all Kensington & Chelsea carers via an interface with the shared service financial system (Agresso);
- Sharepoint: This is used as a document management and storage site for all case records including case assessments, supporting documentation, key case correspondence and service procedures and guidance notes. Fostering and Adoption Panel meeting agenda and minutes are also held on this site.

The absence of a single case management system that is used across the shared service was raised in the previous audit review in 2012/13. Since then the only change has been in the implementation of Agresso which means all payments to carers are through a single system. The current arrangements mean that case records are held on multiple systems and in disparate locations thus making it more time consuming to adminster. Using Sharepoint to maintain case records is not efficient as they are not referenced and linked to the records held on Frameworki or the Integrated Children's System.

All social workers working with children are required to have enhanced Disclosure and Barring Service (DBS) checks undertaken to comply with the Protection of Freedoms Act 2012. In addition, all foster carers are required to have an enhanced DBS check prior to any child being placed with them and family members and relatives that may have contact with the foster child may also require DBS checks.

Carers receive a range of fees and allowances depending on the type of foster placement they have. The current fees and allowances are set out within the Foster Care Allowance document which has recently been

revised and updated. All fees and allowances are now aligned across the shared service so that all carers receive the same type of payments regardless of the host authority for the child being placed. Previously there were variations in the amounts received depending on the host borough of the child being placed.

8. Tri-borough – Multi-user Logins (Main Report – Paragraph 5.1.2)

The use of multiple logins was originally a result of the amalgamation of certain services across the three boroughs. It was envisaged they would act as a temporary facilitator for officers working across more than one host location, eventually being removed once a more permanent solution had been created. Over the past three years significant progress has been made under the Shared Application programme to achieve such harmonisation and allow a single point of access from any network account associated with a shared services employee. A small number of applications have been recognised of exempt from this programme due to the complexity and cost of the potential solution. Some departments also maintain a legitimate business case associated with their use of multiple logins.

Despite the development of the Shared Application programme and relating solutions, a number of managers have still been requesting additional ICT accounts for their officers to enable working within multiple boroughs. In the majority of cases the Starters, Movers and Leavers (SML) process is utilised inappropriately to facilitate these requests. ICT has raised concerns in this area and all service desks provide appropriate challenge, but this does not necessarily prevent abuse of the SML process. ICT has been proactively engaging with services to ensure appropriate business solutions are in place to prevent the need for multiple log-ins. Several managers have positively engaged with the correct business process and sought to remove all instances of multiple logins where possible which demonstrates that an effective process is in place if utilised correctly.

Performance Indicators – 2015/16

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 October 2015 (full year 85%)	45%	45%	
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	85%	Slightly under target but anticipated to improve in quarter 3.
Percentage of audits finalised within 10 days of a satisfactory response	95%	100%	
Quality			
External audit conclude they can place reliance on Internal Audit work (annual)	Yes	Yes	
Percentage of jobs with positive feedback from client satisfaction surveys	90%	100%	13 received all scoring 4 or above (where 1 = very poor and 5 = excellent)
Percentage of high and medium priority recommendations accepted by management	95%	100%	
Percentage of high and medium priority recommendations implemented by management	95%	97%	

Assurance Levels

Assurance given, taking into account the system weakness identified, that the system can meet its service objectives:

Assurance Level	Details
Substantial assurance	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and no significant errors or weaknesses were found.
Satisfactory assurance	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.
Limited assurance	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.
No assurance	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.