



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	6 September 2016
Classification:	For General Release
Title:	Internal Audit 2015/16 – Progress Report (April to July 2016)
Wards Affected:	All
Financial Summary:	The Council’s budget
Report of:	Steven Mair, City Treasurer (Section 151 Officer)
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1. Executive Summary

- 1.1 The work carried out by the Council’s Internal Audit Service in the reporting period found that, in the areas audited, internal control systems were generally effective although five limited 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** - 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:

- Tri-borough – Schools Health & Safety;
- Tri-borough – Public Health, School Nurse Service, Contract Management;
- Corporate Services, Internet Monitoring/ use of Social Media;
- Growth, Planning & Housing, Tavistock Co-op (TMO);
- Growth, Planning & Housing, Torridon Co-op (TMO).

The details of these audits are contained in paragraphs 5.1.1 to 5.1.4 below.

5. Audit Outcomes (April to July 2016)

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

Audit	Assurance	RAG
Adult Social Care – Tri-b - Transition Young People to Adults*	Satisfactory	Green
Adult Social Care – Walkthrough of Referrals*	Satisfactory	Green
Corporate Services – Tri-b – Internet Monitoring/ Use of Social Media	Limited	Amber
Corporate Services – Tri-b - Legal Services, Governance*	Substantial	Green
Corporate Services – Tri-b - Managed Services, Interfaces*	Satisfactory	Green
Corporate Services – Governance Review*	Satisfactory	Green
Corporate Services – Procurement - Governance*	Satisfactory	Green
Growth, Planning & Housing – Tavistock Co-op (TMO)	Limited	Amber
Growth, Planning & Housing – Torricon Co-op (TMO)	Limited	Amber
Growth, Planning & Housing – Property Investment Portfolio*	Satisfactory	Green
City Management & Communities – Parking Services, People & Resources, Contract Management*	Satisfactory	Green
Public Health – Tri-b – School Nurse Service, Contract Management	Limited	Amber
Public Health – Tri-b - Substance Misuse Services, Contract Management*	Satisfactory	Green
Public Health – Tri-b - Sexual Health Services, Contract Management*	Satisfactory	Green
City Management & Communities – Waste Collection, Recycling, Street Cleansing & Ancillary Services, Contract Management*	Substantial	Green
City Management & Communities – Commercial Waste Service*	Satisfactory	Green
Children’s Services – Tri-b – Schools Health & Safety	Limited	Amber
Children’s Services – Barrow Hill Primary School	Substantial	Green
Children’s Services – St Luke’s CE Primary School	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 5.1.4 below:

5.1.1 Tri-borough Schools Health & Safety (Amber)

Under Health and Safety legislation, employers have overall responsibility for ensuring the health and safety of its employees. For community schools, special community schools, maintained nursery and pupil referral units (PRUs), the Local Education Authority [LEA] as the employer is responsible for compliance with the Health and Safety (H&S) legislation. Thus the LEA has a duty to ensure as far as practically possible:

- The safety and welfare of teachers and education staff working in schools;
- The health and safety of in-school pupils; and
- The health and safety of visitors to schools and volunteers.

In practice, the LEA as employer delegates the task of ensuring compliance with health and safety regulations to the most senior council employee in a school which is usually the Head-teacher. Despite the delegation, the LEA however retains overall responsibility to ensure that all checks relating to H&S compliance are at the appropriate intervals and there is evidence supporting the checks undertaken. Each Council has a history of periodically reviewing all community schools within their borough to ensure full H&S compliance against the requirements of a range of H&S related legislation.

Amey, the shared services facilities management [FM] contractor, undertook to carry out compliance visits to all community schools across the three councils during 2015. The visits assessed the compliance levels against a property related audit programme devised by the Royal Borough of Kensington & Chelsea's (RBKC's) Bi-Borough Health and Safety Manager and Westminster Council's Health and Safety Manager.

The audit concluded that the Councils' management and monitoring of statutory health and safety compliance within community schools is not working to the levels expected. The inspections completed by Amey indicate a varying degree of H&S compliance across community schools ranging from very good to poor and the levels of non-compliance raise concerns given the councils' statutory obligations as employers to ensure health and safety compliance within their community schools.

Four high, three medium and one low priority recommendations have been made to address the weaknesses identified including the need to have a tri-borough Schools H&S compliance strategy to formalise the roles of the various departments and schools and to provide an over-arching authority to ensure that the regularity of schools H&S inspections by corporate H&S officers is maintained as part of the councils' statutory obligations.

The recommendations have been accepted by management and progress on implementing the recommendations will be followed up later this year.

5.1.2 Tri-borough - Public Health, School Nurse Service, Contract Management (Amber)

The school health service is a screening, education and support service which assists in the early detection and management of poor health as well as development of a child's wellbeing. The current School Nurse Service contract arrangements were inherited from the NHS and the service is currently provided by the Central London Community Healthcare NHS Trust [CLCH] across all three boroughs. Each council has a separate contract with CLCH for the School Nurse Services which commenced in January 2014 until 31 March 2016. CLCH has a standard contract with each of the tri-borough councils covering service delivery. The contract conditions are the same in each contract, the only difference is the cost of the service to each Council.

The contract with CLCH was further extended, outside of the terms of the contract, by a year under a Direct Award approved by the respective Cabinet Members on behalf of each of the three councils. The contract with CLCH will now end in March 2017. The contract extension included a negotiated 10% reduction in the contract values for the additional year. The direct award period has enabled the Public Health team to undertake a compliant competitive procurement exercise for a new Schools Health Service due to commence in April 2017.

The audit review highlighted that the contractor was experiencing on-going difficulties in providing contractual Key Performance Information (KPI). In addition, the contractor's poor data management and cleansing processes had reduced the quality of information provided to the Contract Manager. As a result, the Contract Manager has agreed a five point "Data Quality Improvement Plan" devised by CLCH to improve data collection and performance reporting. At the time of the audit, the contractor had only fully completed two of the five actions and were progressing the remaining three.

One high, four medium and one low priority recommendations were made to address the control weaknesses identified during the audit which are summarised below:

- A number of key contract conditions had never been subject to periodic review by the councils;
- No formal procurement notes and guidance exist for the management of this contract;
- The achievement of relevant key service objectives in respect of the School Nurse Service was not reflected in the Public Health Business Plan;
- Service user feedback was provided by the contractor and was not considered to be sufficiently complete or accurate;

- A monitoring template which enables a systematic assessment of a contractor performance against key areas of the contract was not being used;
- The complaints process for the service was not clearly defined in the contract.

The recommendations have been accepted by management and will be implemented, where appropriate, during the remainder of the existing contracts and included in the requirements of the service currently being re-procured.

5.1.3 Corporate Services, Internet Monitoring/ Use of Social Media (Amber)

All Council employees are provided with access to the internet as part of their network user account set up. The internet is considered to be a useful information and knowledge source which can enable Council employees to carry out their jobs more effectively and efficiently. However, this has to be balanced against the use of the internet for non-work purposes which can have a detrimental effect on the productivity of employees if users abuse this privilege. In addition, appropriate protocols and guidance need to be in place governing the use of social media to prevent any inappropriate messages, views or content being posted that could result in reputational damage to the organisation.

The review identified that:

- Internet activity reports are not produced for WCC (and RBKC) on a regular basis by to enable managers to monitor usage by staff;
- Analysis of activity reports identified instances where excessive use was noted which warranted further investigation by line managers;
- Filters and blocks applied to the network are not tested for any 'work arounds' or weakness that can be exploited which can potentially allow access to inappropriate internet sites;
- General guidance and protocols on use of social media tools have not been circulated to staff; and
- All three councils have their own internet usage and social media policies which are not aligned and are updated at different times.

One high and three medium priority of recommendations have been made which have been accepted by the Head of Information Services.

5.1.4 Growth, Planning & Housing – Tenant Management Organisations (TMOs)

Audit reviews have been completed at two TMOs which were identified for review by the CWH TMO Manager and the Council's HRA Strategy Manager. The initial findings from these audit reviews were reported to the Director of Housing in June 2016 and are summarised below.

The findings from each of the audit reviews have been combined with housing management monitoring information provided by CityWest Homes and a formal 'Five Year Review' Report was issued to each of the TMOs by the Executive Director for Growth, Planning and Housing in July 2016.

As required by their Management Agreement, each of the TMOs has two months to consider the contents of their 'Five Year Review' and both TMOs are expected to report back to the Executive Director for Growth, Planning and Housing by the end of September 2016, 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 due to attend the next Committee meetings at both Tavistock Co-op and Torridon Co-op to discuss the contents of the 'Five Year Review'.

(a) Tavistock Co-op (TMO) (Amber)

The Tavistock TMO is a Co-operative and membership open to tenants and leaseholders of the estate and is responsible for managing 104 properties. The Council provided the Co-op with a Management allowance of £102,678 in 2016/2017. An audit of the processes in place at the TMO identified that the Co-op has an established set of values and clear standards which are contained in the Code of Governance and Code of Practice and the number of Co-op Members on the Committee was good. However, a number of control weaknesses were identified as follows:

- The timely notification of Committee Meetings and items for discussion could not be verified;
- Decisions and actions were recorded in the Committee Meeting minutes but they contained little detail on agenda item discussions;
- The Co-op has no Register of Interests although Members are requested to declare any conflicts of interest at Committee Meetings and this is noted in the Meeting minutes;
- Utilisation of the training budget could not be verified as there is not costed training plan in place which has been agreed by the Management Committee for its Members or staff;
- The Co-op uses various consultation techniques when engaging with the residents although Membership is low and there is no target or strategy to increase the numbers;
- An annual survey had not been undertaken at the time of the audit;

- The Co-op has deposit accounts with the bank which it is not longer using whilst retaining surpluses in non-interest bearing accounts;
- Although controls over procurement, payments, budget management and bank reconciliations were adequate, the processes for estimating the cost of works and verifying works completed was not sufficiently robust;
- The controls around the petty cash system were inadequate;
- There are no procedures for identifying, recording and managing risk;
- The system in place for out-of-hours reporting of repairs and the monitoring the quality of service provided is not sufficiently robust;
- The Public Liability insurance is not at the limit stated in the Management Agreement;
- There is no record of assets purchased by the Co-op;
- There was no evidence of any tendering process for the one contract managed by the Co-op which had not been formally extended or re-tendered since it expired over a year ago;
- No formal performance appraisal is undertaken on staff and the Co-op doesn't have an established workplace pension in place;
- Not all housing management issues were being recorded on the Housing Management system.

Five high, fifteen medium and three low priority recommendations have been made which are being considered by the TMO Board. Under the terms of the Management Agreement, the Board is expected to respond in writing to the review within two months of the report being issued. Therefore, a response to the report is expected by mid-September 2016.

(b) Torridon Co-op (TMO) (Amber)

The Torridon TMO is a Co-operative and is responsible for managing 98 properties. The Council provided the Co-op with a Management allowance of £100,144 in 2016/2017. An audit of the processes in place at the TMO identified that a number of control weaknesses as follows:

- The TMO has established a 'Code of Governance' which must be signed by the Committee showing their acceptance of abiding by the Code, although this requirement was not fully complied with;
- The TMO has no Register of Interests although Members are requested to declare any conflicts of interest at Committee Meetings and this is noted in the Meeting minutes;
- The timely notification of Committee Meetings and items for discussion could not be verified;
- Decisions and actions were recorded in the Committee Meeting minutes but they contained little detail on agenda item discussions;
- The maintenance of records by the TMO was considered to be poor and hindered the audit review;

- The training element of the Committee Administration budget is not being utilised by the TMO;
- The TMO held an asset register but it was not considered to be sufficiently detailed;
- A number of policies and procedures were out of date, insufficiently detailed or did not exist;
- Financial management controls over purchasing, payments and petty cash expenditure were considered to be inadequate;
- There was insufficient evidence that anomalies identified by the TMO's Accountant in the quarterly accounts, had been addressed;
- There was no evidence that the TMO's contracts had been subject to an annual review process and the tendering process was not consistently used;
- The system in place for out-of-hours repairs and monitoring of service quality was not considered to be sufficiently robust;
- The TMO hasn't developed a financial business plan even though they have underspent their annual allowance for several years;
- The TMO do not hold a risk register but has identified a number of risks in their Business Plan. However, the TMO has not developed any procedures for identifying, recording and managing risks;
- The Co-op uses various consultation techniques however, membership is low and there is no strategy to increase numbers. In addition, it was noted that responses to the annual survey were low (5 at the time of the audit);
- There is no established agreement to provide office cover when the Manager is absent;

Six high and twelve medium priority recommendations have been made which are being considered by the TMO Board. Under the terms of the Management Agreement, the Board is expected to respond in writing to the review within two months of the report being issued. Therefore, a response to the report is expected by mid-September 2016

5.2 Implementation of Audit Recommendations

Six follow up audits were undertaken in the period (April to July 2016):

Audit	No of Recs Made	No of Recs Implemented	No of Recs In Progress	No of Recs not yet actioned
Management of TMOs	12	5	7	0
Asset Management & Valuations	7	3	4	0
Contracts Register	8	6	2	0
St James' & St John's Primary School	14	8	5	1 (low)
St Vincent de Paul Primary School	19	16	2	1 (medium)
St George's Primary School	14	11	2	1 (low)
	74	49	22	3

Of the seventy-four recommendations followed up, 96% were either implemented or good progress was being made to implement them. A small number of recommendations had not been progressed at the time of the follow up but are expected to be implemented as agreed in the management action plan.

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

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BACKGROUND PAPERS

Internal Audit Reports;
Monthly monitoring reports.

Audits Completed Year to Date - 2016/17

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
Adult Social Care	Tri-b – Transition, Young People to Adults (Cfwd from 2015/16)	Green	SATISFACTORY	0	5	1	Sep-16
Adult Social Care	Tri-b – Walkthrough (referrals) (Cfwd from 2015/16)	Green	SATISFACTORY	0	2	2	Sep-16
Children's Services	Tri-b – Schools Health & Safety (cfwd from 2015/16)	Amber	LIMITED	4	3	1	Sep-16
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
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
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
Public Health	Tri-b – School Nurse Contract Management (Cfwd 2015/16)	Amber	LIMITED	1	5	1	Sep-16

Audits Completed Year to Date - 2016/17

Plan Area	Auditable Area	RAG Status	Assurance level given	No of Priority 1 Recs	No of Priority 2 Recs	No of Priority 3 Recs	Reported to Committee
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
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

Additional Information on Audits (Main report – Paragraph 5.1)

Adult Social Care:

1. Tri-b – Transition, Young People to Adults (main report paragraph 5.1)

Many young people with complex needs receive services from a variety of sources, including children's services, children's health, social care and the criminal justice services. Young people with mental health difficulties may be receiving a service from the Child and Adolescent mental health services (CAMHS), or be children looked after in care. The eligibility criteria in Children's and Adults' services are different and this may result in young people no longer being eligible for aspects of their support when they become adults or alternatively being eligible for certain adult services and support they were not receiving as a child. It is important to ensure young people receiving children's services have information about what to expect when they become an adult.

The Children and Families Act introduced new legislation for supporting children and young people with complex special educational needs. The 'statement' (statement of special educational needs) has been replaced by an Education Health and Care Plan (EHCP). Following the implementation of the Children and Families Act, some young people aged 19-25 will be eligible for statutory support to access education and training via an Education, Health and Care Plan. Young people who no longer need to remain in formal education or training will not require special educational provision to be made for them through an EHC plan. In these cases, the responsibility on local authorities is to ensure a smooth transition to other services which will support the young person.

The audit included reviewing:

- Policies and Procedures;
- The process for identifying young people requiring Transition Plans;
- The assessment of requirements;
- The development of Transition Plans;
- The provision of continuing education, where appropriate; and
- The monitoring and review processes in place.

The controls in place were considered to be satisfactory with five medium and one low priority recommendations made to address the control weaknesses identified.

2. Tri-b – Walkthrough of Referrals (main report paragraph 5.1)

The three councils have different initial contact points (Contact Centres) for those wishing to enquire about Adult Social Care services. One case management system (Frameworkki) is used across all three contact points to hold key demographic data on service users including name, address, and date of birth. Frameworkki also holds a complete episode history for a person. In addition, warnings and safeguarding alerts about individuals can be recorded on Frameworkki where appropriate. The type of care required will depend on the individual's circumstances and this audit reviewed the processes followed for a small sample of cases from the first contact with the Council through to the effective delivery of care and support services, including monitoring of outcomes.

Two medium and two low priority recommendations were made for improvements in the following areas:

- Prompt closure of cases relating to deceased persons;
- Undertaking financial assessments within target days following referral and ensuring all details including reasons for delays are recorded on the system;
- Potential for aligning the panel review process across the three councils;
- Undertaking appropriate testing of any updates to the Frameworkki system.

Corporate Services:

3. Tri-b – Legal Services, Governance (main report paragraph 5.1)

An Executive Decision Report covering the creation of a single shared legal service, was agreed by Westminster City Council (WCC), the Royal Borough of Kensington & Chelsea (RBKC) and the London Borough of Hammersmith & Fulham (LBHF) in December 2014. The three Councils have entered into a Section 113 agreement which has been agreed by all three Chief Executives and the Shared Legal Services went 'live' in May 2015 and is led by the Director of Law, formerly the Bi-borough Director of Law. Legal Services, as a Corporate Service, is now a large enough legal service to cover almost all areas of law that client services need advice on, and means that services across the three Councils can now go to one source for all the legal advice and representation they need. Combining the legal services of all three boroughs means that the service will have the resilience and the ability to specialise more. There are specialist teams in the following areas – contract & employment, housing, litigation, planning, licensing & highways, property and social care. These teams are aided by a business support team, which enables the lawyers to work more efficiently and reduce overall costs to clients.

The audit of the shared Legal Services governance arrangements identified one low priority recommendation to improve the evaluation of customer satisfaction, which has been accepted by management.

4. Tri-b – Managed Services Interfaces (main report paragraph 5.1)

The effective operation of the BT operated Agresso Enterprise Resource Planning system requires multiple interface processing activities from Line of Business (LoB) application systems such as the social care system or the production of Agresso output files such as payroll files to interface into BACs. The following areas were considered in this audit:

- All interfaces have been identified and that documentation is being maintained to describe the interface processing steps and dependencies;
- Control totals and checks are in use to help minimise error;
- Whether interfaces operate accurately, completely and at the expected frequency or are quickly identified for root cause analysis and prompt resolution;
- Whether interfaces have defined stage development life spans and permanent solution delivery dates which are monitored for achievement.

Four medium and one low priority recommendations have been made to improve controls in this area which have been accepted by management.

5. Governance Review (NB still draft waiting for management response) (main report paragraph 5.1)

This audit evaluated the Council's governance arrangements against current relevant standards, primarily the CIPFA / SOLACE "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 principles of good governance set out in these publications were used as the main control areas for review in this audit and testing mechanisms recommended by the guidance were applied.

The audit identified that generally the Council's governance arrangements were satisfactory with one medium and two low priority recommendations made to address weaknesses identified in the following areas:

- A clear policy on the types of issues that the Council will meaningful consult on or engage with the public and service users could not be identified in the Council's guidance relating to consultations;
- It could not be confirmed that an annual report is issued on the Council's scrutiny functions;
- The 'transparency' data published on the Council's website was not up to date.

6. Procurement – Governance (main report paragraph 5.1)

The Council operates a devolved approach towards procurement where the Procurement Services Team performs a strategic role focusing on setting standards, strategies, procedures and policies, provision of advice, guidance and training. Departments lead primarily on letting, control, monitoring and management of contracts. The capitalSourcing system is utilised by the Council to maintain a record of contracts in place. The system is mandatory for all contracts over £25,000 at Westminster City Council and optional for contracts below this value. This system has various functionalities and Contract Managers must complete a number of mandatory fields on the system for each of their contracts. Compliance with the completion of these mandatory fields is monitored by Procurement Services in its monthly dashboard.

Procurement Services is principally a Westminster service, however they do operate across Tri-Borough. The team has worked on a number of Tri-Borough procurements, taking the lead on initiatives including ICT, Passenger Transport and Public Health, and advising on initiatives including Homecare and School Meals.

The governance arrangements in place in respect of procurement were considered to be satisfactory with three medium priority recommendations made in the following areas:

- Monitoring of spend across the council has not been possible since April 2015 when Agresso was implemented. Although some data has since been provided it was not sufficiently detailed to enable the data to be used effectively;
- Ensuring that sufficient time is built into the process for appropriate exit planning prior to contracts expiring and to enable appropriate forward planning on future procurements;
- Contracts were not being appropriately 'categorised' prior to the start of the contract to ensure that appropriate contract management arrangements were in place.

Procurement Services are taking action to ensure that the weaknesses identified are effectively addressed.

Growth, Planning & Housing:

7. Property Investment Portfolio (main report paragraph 5.1)

Corporate Property looks after the Council's Investment Real Estate and is responsible for investment and asset management of the investment portfolio. The primary function of the Investment Portfolio is income generation, which is achieved via commercial lettings and developments. The Council's Investment Portfolio includes over 400 assets and this covers all of the Council's general fund stock and housing revenue account commercial stock. The Investment Portfolio generates revenue for the Council of approximately £24 million per annum and the Investment team actively manages this portfolio and by applying an appropriate asset management strategy seeks to ensure the Council is maximising its return from this investment. Operational property (that which is used to deliver a council service) that is declared surplus to requirements is transferred to the Investment Portfolio for income generation.

From 1st May 2014 GVA Grimley became the new managing agents for the Investment Portfolio and undertake the day-to-day property management activities including managing the portfolio's lease renewals, rent reviews, letting of vacant accommodation and rent collection. A small clientside management team at the Council is responsible for:

- Determining objectives and strategy for all property interests;
- Appointing the managing agent to support the Council in the management of its property portfolio;
- The management and monitoring of the managing agent; and
- The interface between the Council and its delivery services, and the supplier where appropriate.

This audit reviewed the arrangements in place for rent collection and debt management with respect to the Council's Investment Property Portfolio and the contract management arrangements in place for performance by GVA Grimley.

Two medium and one low priority recommendations were made to address the weaknesses identified below:

- Delays had been experienced in the completion of rent reviews and lease renewals by GVA which had resulted in a backlog of work;
- Documents were not always available to support actions taken by GVA;
- Although there is an Investment Strategy and an Asset Management Strategy in place, there are no up to date documented procedures on Corporate Property's role in managing the investment portfolio.

Public Health:

8. Tri-b - Substance Misuse Services, Contract Management (main report paragraph 5.1)

The Shared Services Councils established a single public health team, hosted by Westminster City Council and headed by a Director of Public Health. The Substance Misuse team form part of the Public Health team and their key objective is to improve the health and wellbeing of individuals with substance misuse issues and their families. This is achieved by ensuring those people in need of services have access to a full range of treatment and recovery opportunities, while ensuring families and society are protected from the harm caused by alcohol and drug misuse and/or associated criminality. At the time of the audit, the service was delivered by a range of providers across the three boroughs as inherited from the NHS at the time of service transfer,

In order to meet the changing needs of the service users and to streamline the service, a procurement exercise was undertaken during 2015. The procurement required the market to submit competitive tenders for the new SM service as two Lots. The new service commenced in April 2016 for a period of three years with an option to extend for another two years if required.

The review identified that the team of officers tasked with ensuring the Public Health service objectives in relation to the substance misuse service are achieved are suitable experienced to undertake this role. Some minor weakness in the procedural support within the section were identified while the problematic introduction of Agresso has required the extensive use of manual procedures by finance officers to ensure financial information is readily available to the team.

Two medium and one low priority recommendations were made to enhance the existing process.

9. Tri-b - Sexual Health Services, Contract Management (main report paragraph 5.1)

A key objective of the Sexual Health Team is to improve the sexual health and wellbeing of residents across the three boroughs by delivering an efficient and effective sexual and reproductive health service. The Sexual Health Service team within Public Health has been commissioning and monitoring the provision of sexual health services since the service transferred from the NHS in April 2013.

The tri-borough councils, along with 19 other local authorities in London are part of the London Sexual Health Services Transformation Project, aiming to deliver a new collaborative commissioning model across the participating councils for sexual health services in London. Westminster Council will act as the lead Council in the commissioning and procurement of a new mandatory Genito-Urinary Medicine (GUM) provision to be implemented from 1st April 2017. A separate local redesign and re-procurement of community based Sexual and Reproductive Health (SRH) services is being progressed during 2016/17 to be fully implemented by April 2017. Some existing contractual arrangements have been extended by 12 months to 31 March 2017, through a direct award arrangement, to accommodate the necessary procurement activities for the new services.

The review identified that the controls over the management of the sexual health services administered by the Public Health Team are being applied to the levels expected. The team of are suitably experienced to ensure that both the mandatory and community based services are provided in accordance with accepted

processes and procedures. Some weaknesses in the control process were identified with one medium and three low priority recommendations made.

City Management & Communities:

10. Parking Services – People & Resources, Contract Management (main report paragraph 5.1)

The contract, People & Resources (Kerbside Management), was awarded to NSL limited for period of four years from 1st July 2014 to 31st June 2018 with a possibility of another two years' extension to the contract. The contract will provide a flexible pool of skilled resources for deployment on street; these resources will be directed and managed by the Council. The contract includes the marshalling concept, which has been rolled out across the City. Previous Civil Enforcement Officers have been retrained as Marshals and will provide a more customer focused service, assisting motorists to park legally, with enforcement as a last resort if other measures fail.

The audit review focussed on the following:

- The objectives of the service are clearly defined and adequate contractual documentation held to support the arrangements in place;
- A performance management framework has been established which is based on the key components of the contract;
- Performance is subject to regular monitoring, action and reporting;
- Management information is accurate, timely and relevant;
- Appropriate remedies have been identified and applied where performance is not achieved.

The audit identified that the contract management arrangements were generally satisfactory with three medium and two low priority recommendations made to address some minor areas of control weakness.

11. Waste Collection, Recycling, Street Cleansing & Ancillary Services, Contract Management (main report paragraph 5.1)

The Waste Collection, Recycling, Street Cleansing and Ancillary Services contract was awarded to Veolia Environmental Services UK Ltd ('Veolia'), commencing on the 16 September 2010 and expiring on the 15 September 2017. The contract is valued at £245 Million with a current annual value of £39 million. The contract includes the provision of services such as residential and commercial waste and recycling collections, street sweeping, street flushing, litter bin emptying, bin supply and maintenance, winter maintenance services, graffiti and fly-posting removal.

The audit review focussed on the following:

- The objectives of the service are clearly defined and adequate contractual documentation held to support the arrangements in place;
- A performance management framework has been established which is based on the key components of the contract;
- Performance is subject to regular monitoring, action and reporting;
- Management information is accurate, timely and relevant;
- Appropriate remedies have been identified and applied where performance is not achieved.

The audit identified that the contract management arrangements were good and well established with one medium and one low priority recommendations made which have been accepted by management.

12. Commercial Waste Service (main report paragraph 5.1)

Approximately half the waste collected in Westminster is commercial, with 1 million collections a week collecting over 94,000 tonnes per annum. The Council's commercial waste service is a £16 million business with 10,000 – 12,000 account holders. Although the collection of Commercial Waste is a highly competitive market with approximately 40 competitors; the Council currently have a 40% market share and are

considered to be performing well. Commercial premises have a Duty of Care (DOC) and legal responsibility in ensuring that they dispose of their business' waste without harming the environment by using a licenced waste carrier.

The audit identified that the Commercial Waste Team has a good understanding of the service objectives and there is a good level of communication within the team and with the council's client officers. The controls over the management of the commercial waste operations are working to the level expected. However, the transfer to the Agresso financial system in April 2015, had resulted in a number of problems for the service in respect of identifying income to allocate to the commercial waste customer accounts and the collection of direct debit payments. Interim solutions to these problems have been put in place whilst the service liaises with corporate services on implementing improvements to the systems. Two medium and one low priority recommendations have been made which have been accepted by management

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 plan completed YTD (Month 4) Full year target = 90%	25%	32%	
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	100%	
Percentage of audits finalised within 10 days of a satisfactory response	95%	100%	
Percentage of jobs with positive feedback from client satisfaction surveys	90%	100%	8 received YTD, average score of 4.5 (positive score).
Percentage of High & Medium priority recommendations implemented or in progress	95%	96%	71 out of 74 recommendations implemented or in progress (96%)