



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	24 November 2016
Classification:	For General Release
Title:	Internal Audit 2015/16 – Progress Report (August to September 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 one no assurance audit has been 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. One no assurance report has been issued:

- Children's Disability Services - Direct Payments.

The details of this audit are contained in paragraph 5.1.1.

5. Audit Outcomes (August to September 2016)

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

Audit	Assurance	RAG
Adult Social Care – Continuing Healthcare Funding*	Satisfactory	Green
Growth, Planning & Housing – Right to Buy*	Satisfactory	Green
Children's Services – Procurement of Residential Placements*	Satisfactory	Green

Audit	Assurance	RAG
Public Health – Contract Monitoring (Cardiovascular Disease)*	Satisfactory	Green
Children’s Services, Schools – Christchurch Bentinck Primary	Substantial	Green
Children’s Services, Schools – Essendine Primary	Satisfactory	Green
Children’s Services, Schools – Hampden Gurney Primary	Satisfactory	Green
Children’s Services, Schools – St Augustine’s Primary	Satisfactory	Green
Children’s Services, Schools – St Augustine’s Secondary	Satisfactory	Green

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

5.1.1 Children’s Disability Services – Direct Payments (Red)

Councils are obliged to offer direct payments to suitable families with a disabled child to purchase their own support package in lieu of services which would otherwise be commissioned on behalf of the child by the Council. This audit reviewed the existing arrangements for managing direct payments across the three Councils and it was noted that each Councils’ ‘back office’ operations were differently configured and operated independently of each other. At the time of the audit, approximately 60 children with disabilities received direct payments from Westminster Council with an estimated annual cost of £250k.

The audit identified a number of control weaknesses in the existing system including:

- The Westminster Council team structures are insufficient to manage the direct payment functions adequately. The service is currently reviewing staffing arrangements and have put in place interim arrangements to improve the process;
- At the time of the audit, formal procedures and process maps had not been developed detailing the workflow for the service. An interim policy and procedures are now in place which include guidance notes for parents, the roles and responsibilities of each party, including the contractor who undertakes some of the of direct payments service on behalf of the Council;
- There is no formal contract with the current provider, which has been used by the service for a number of years, and a lack of performance monitoring and reporting. The use of this contractor and other options for the delivery of the direct payments service are being considered as part of an options paper for a shared service;
- From the sample reviewed it was noted that the correct level of support to the clients for managing their direct payments was not always provided. The service is now working more closely with their contractor and practitioners on new referrals to ensure that a process is in place to follow-up the arrangements after the direct payment has been set up. For existing cases,

- a quarterly monitoring exercise is now in place which should identify if the client is not managing their direct payment provision adequately;
- Documentation was not consistently recorded on the case management system. The service has taken action to ensure that this is updated and reviewed on a regular basis;
 - From the sample reviewed, a number of contracts between the clients and the Council's service provider could not be located on the provider's system. A new process has been introduced to ensure that a signed contract is received by the Council before direct payments commence. A review of existing clients is also being undertaken to ensure that appropriate records are in place;
 - DBS checks are only routinely completed for personal assistants who are recruited through the Council's service provider. However, no monitoring is undertaken by the Council that the service provider is maintaining up-to-date DBS records. Where a parent is employing a carer directly no DBS checks were undertaken by the service provider unless requested by the parent. The service has since reviewed its processes and the service provider is verifying that existing carers are in receipt of valid DBS checks. Parents who employ their own carer are being advised that a DBS check will be required. Where a parent is reluctant for a DBS check to be undertaken, the child's Social Worker will be required to assess the level of risk of allowing the carer to continue in this role without a DBS check. A monitoring system for DBS checks is also being put in place;
 - Quarterly financial monitoring has not taken place since March 2015. The service has now commenced a financial monitoring exercise. The results of the financial monitoring will be recorded on the case management system. The service has also documented the process in place for the recovery of debt/overpayments.
 - The lack of financial monitoring means that the Council has no clear idea if all clients are making appropriate and timely payments to HMRC. New procedures and guidance are to be issued to carers regarding their responsibilities for paying HMRC, ensuring adequate employer's liability insurance is in place, DBS checks and the need to consider the provision of a workplace pension.

It should be noted that as a result of this audit a Tri-borough Direct Payments Working Group has been formed to share and develop good practice and review Policies and Procedures across all services. In addition, since the audit was finalised the service has confirmed that actions have been taken to address the weaknesses identified including:

- Considering the introduction of pre-paid cards for direct payments where this is appropriate, which would be in line with the process used within Adult Social Care and would introduce more effective controls to the process;
- Ensuring that policies and procedures are in place for payment, monitoring and reclaiming overpaid direct payments;

- Providing additional training to relevant staff on supporting families in receipt of direct payments as well as attending the Council's debt recovery training to ensure actions are compliant with corporate processes;
- Undertaking quarterly monitoring, reviewing accuracy of records and ensuring that all accounts are compliant with HMRC requirements;
- Ensuring relevant documentation is retained on the client management system;
- Reviewing the processes for ensuring DBS checks are undertaken for all carers.

A follow up audit will be undertaken in January 2017 to confirm that the agreed actions have been implemented as stated by the service.

5.2 Implementation of Audit Recommendations

One follow-up audit was undertaken in the period (August to September 2016):

Audit	No of Recs Made	No of Recs Implemented	No of Recs In Progress	No of Recs not yet actioned
City Management – IT Audit – Parking System	6	6	0	0
Total	6	6	0	0

6. Review of Insurance Services

- 6.1 In addition to the internal audit work completed in the period, a technical claims file review has been undertaken by the Council's insurers to provide an analysis of the Tri-borough claims handling service as measured against current best practice. The Tri-borough insurance service handles Employers and Public Liability claims up to a delegated authority of £100k for Westminster with this delegated authority being in place since 1 April 2015.
- 6.2 The review concluded that the service provided was effective, which is the highest opinion given in these technical reviews, with the controls considered to be appropriate and to maintaining risk within acceptable parameters. The report stated that the claims handling by the Tri-borough service was of a very high standard and it was clear that there was a pragmatic and realistic approach taken on the vast majority of the claims reviewed. The overall quality score given for the service was 97.69%.
- 6.3 Three recommendations have been made to improve the systems of control which have been addressed by the service. Implementation of these recommendations will be independently reviewed before the end of the calendar year.

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
Adult Social Care	Tri-b – Continuing Healthcare Funding (Cfwd from 2015/16)	Green	SATISFACTORY	0	6	0	Nov-16
Children's Services	Tri-b – Schools Health & Safety (cfwd from 2015/16)	Amber	LIMITED	4	3	1	Sep-16
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
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

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
Growth, Property & Housing	Right to Buy	Green	SATISFACTORY	1	4	3	Nov-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
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
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
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

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	St Augustine's High School	Green	SATISFACTORY	0	5	4	Nov-16

Additional Information on Audits (Main report – Paragraph 5.1)

Adult Social Care:

1. Tri-b – Continuing Healthcare Funding

Continuing Healthcare Funding is a package of health and social care funding provided to meet the cost of an individual's care in full because their primary need for care is a health need. It is not means tested and it is irrelevant what assets the individual has. It can be provided in a range of settings, including an NHS hospital, a care home or someone's own home. Where there is a need for care that is not deemed to be NHS funded, it would be the Council that pays for care (subject to eligibility criteria). In October 2007, the Department of Health produced new guidance that sets out a system for deciding eligibility for NHS Continuing Healthcare (the National Framework for NHS Continuing Healthcare and NHS funded Nursing care). The Framework sets out the factors that are considered to decide whether someone meets the criteria for NHS Continuing Healthcare and an assessment is required on whether an individual is entitled to funding. The decision is ratified by the Continuing Healthcare Panel, which is organised by the NHS but has Local Authority representation on it.

The audit identified a few areas for improvement which are summarised below, together with the service response to the weaknesses identified:

- The need to document the end-to-end process for administering continuing healthcare as well as a protocol on joint prevention and dispute resolution. The service is developing these as well as a joint funding policy across the three boroughs and the Care Commissioning Groups (CCGs);
- Provision of training to Health staff to develop their understanding of the social care aspects of the clients' needs and to promote a more cohesive approach to dealing with continuing healthcare funding cases. This training is planned to be delivered by the service during 2016;
- Ensuring that the Healthcare Panel meeting minutes/record of discussions demonstrate an appropriate assessment of the recommendations made and that the Health Needs Assessments completed by Health staff are provided to the Councils. The service has since reviewed the Healthcare Panel process and circulated a revised Terms of Reference as well as developing a single Continuing Healthcare Protocol to ensure compliance with the National Framework for NHS Continuing Healthcare and NHS funded Nursing Care;
- The CCG works towards a timeframe of 28 days to complete the Health Needs Assessment, however, performance against this timeframe is not formally monitored and reported to the Council. Information provided during the audit indicated a number of cases taking over three months from the date of referral to assess the eligibility. The service will include defined timescales in the Protocol that is being developed;
- There was no evidence that the purchase orders for Westminster client's care packages were reviewed regularly by the services. In addition, the agreed date on which the financial responsibility transfers to the CCG was not recorded consistently. The service has agreed that all open purchase orders should be reviewed regularly and closed off where appropriate. The Panel decision will be shared with Finance to ensure that the recharge to the CCGs in respect of Continuing Healthcare clients is calculated correctly.

Growth, Planning & Housing:

2. Right to Buy

This review was undertaken on CityWest Homes' (CWH) arrangements for managing the sale of Council property under the Government's current Right to Buy (RTB) scheme. The review examined CWH's processes and controls as well as the fraud prevention checks undertaken by the Corporate Anti-Fraud Service (CAFS). CWH Lessee Services are responsible for processing all RTB applications and overseeing the RTB process in accordance with Council Policy and legislative requirements. The RTB process is quite extensive requiring input from a number of services to complete a sale including Legal Services and CAFS. For the financial year

2015/16 potential fraudulent activity within Right to Buy had a notional value of £935k with the Corporate Anti-Fraud Service (CAFS) preventing nine cases from progressing where fraud was suspected. A previous audit of the RTB process identified a number of tenants who approach the council to purchase their property who were in receipt of Housing Benefit and had substantial savings. It also identified that funds were being 'gifted' to purchase properties sometimes from abroad or from companies whose financial standing cannot be verified as reputable finance providers on a six-year loan term. Part of Westminster's RTB process is to undertake background checks which is performed by the Corporate Anti-Fraud Service (CAFS). This service is not a legal requirement of the right to buy process but provides additional assurance on the validity of RTB applications.

The audit identified that the RTB process was generally well controlled with recommendations made to improve the system including:

- Ensuring that a formal Service Level Agreement (SLA) is entered into between CWH Tenancy Management and CAFS to ensure that appropriate and timely communication is established. This SLA has now been agreed and is to be extended to include Lessee Services;
- Ensuring that tenancy checks are always undertaken after the date of RTB application and before the offer notice is given. Lessee Services are liaising with Housing Management to ensure there is a clear Service Level Agreement for undertaking the tenancy checks and a protocol for escalation to ensure the checks are undertaken within the required timescales;
- Ensuring that the Anti-Money Laundering form is completed and returned prior to the RTB sale being completed;
- Ensuring that all live cases referred to CAFs are reconciled with Lessee Services regularly. This has been included in the new SLA;
- Ensuring that all completed RTB sales are correctly registered by the buyer's legal representatives. Legal Services have agreed to undertake these checks before the case is closed.

Children's Services:

3. Tri-b – Procurement of Residential Placements

The Tri-borough Residential Placements Team (RPT) was formed in 2014 bringing together individual borough placement service arrangements and with the aim of providing a shared centralised external placement function for the three boroughs. The team is comprised of staff with both social work/care and commissioning experience. At the time of the review there were approximately 67 children currently in residential accommodation across the three councils. The numbers fluctuate as children leave residential accommodation and re-join their natural parents or move into foster care. The RPT works closely with Social Care professional staff to ensure that the most suitable residential placement is obtained which meets the needs of the Looked After Child (LAC). Due to the requirements of the child, a placement can be made within the borough or another part of the UK depending on the location of the service provider best placed to meet the needs of the child, which can be complex. A new method of procuring residential placements, which will enable the RPT to upload the criteria for a particular placement and allow providers to register their interest in providing the service and provide a cost quote, is due to be implemented by the end of the current financial year.

Each child or young person moving into residential accommodation has a Care Plan which details the justification for the placement. Funding the cost of residential accommodation, particularly for Complex Needs cases can be shared between three stakeholders: internally by Social Services and Education (SEN) and externally via the Health Service. The percentage each stakeholder contributes to the cost of the residential accommodation, is determined by the needs of the child and the type of services required whilst in care. Typically, placements can last 38 weeks with the child returning home between terms or 52 weeks where the child remains in the placement throughout the year.

The review identified that the controls over the administration and monitoring of the residential care provision for children were generally effective. Recommendations were made to address the following control weaknesses which have been accepted by management:

- Not all of the Individual Child Agreements, which describe the services required from the provider and the cost of the service, and Individual Placement Agreements which are completed when the placement is made with a residential school, could be located at the time of the audit. These are being reviewed by the service and will be stored securely and routinely monitored by the Strategic Commissioner of the service;
- It was difficult to demonstrate that best value had been achieved with the existing procurement arrangements. It is envisaged that the new portal arrangements that are due to be introduced this year will address the weaknesses in the existing process;
- Not all of the Complex Needs funding forms, which should be completed and signed by all of the stakeholders to confirm commitment to the level of funding agreed, could be located at the time of the audit.

Public Health:

4. Tri-b – Contract Monitoring (Cardiovascular Disease)

Cardiovascular Disease [CVD] is the second highest cause of premature death across the three councils. Prior to the Tri-borough service, Westminster Council commissioned a CVD prevention service however; neither RBKC nor LBHF had a CVD prevention programme. Following a tender exercise, a contract for the CVD Programme across the Tri-borough was awarded which started in October 2015. Over the course of the contract, the activity levels of 1,350 Tri-borough residents per year, 400 each in LBHF and RBKC and 550 in WCC will be assessed against clinical targets and assistance provided so that participants can reduce blood pressure, body mass index, adopt a cardio-protective diet, increase their physical activity and stop smoking. The contract is for an initial three years with an option to extend for an additional year.

The audit identified that the contract management arrangements were adequate and the contract managers experienced. However, the lack of written guidance on the section's approach to contract management means that much of the knowledge of the section's approach to monitoring is retained by individual officers. It was recommended that contract monitoring arrangements should be documented and should include all key areas of the contract to ensure that they are routinely monitored in accordance with the frequency specified in the contract e.g. Insurance checked annually; DBS and other staff related issues checked on a sample basis. It was further recommended that the contract managers undertake sample testing on the evidence of performance provided by the contractor to support the achievement of the contractual performance targets

Six recommendations were 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 6) Full year target = 90%	47%	43%	Slightly under target but on course to achieve overall target.
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	91%	
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%	10 received YTD, average score of 4.4 (positive score).
Percentage of High & Medium priority recommendations implemented or in progress	95%	96%	72 recommendations reviewed