Audit and Performance Committee Report

City of Westminster

Meeting:	Audit and Performance Committee
Date:	14 November 2018
Classification:	For General Release
Title:	Internal Audit 2018/19 – Progress Report (September to October 2018)
Wards Affected:	All
Financial Summary:	The Council's budget
Report of:	David Hodgkinson, Deputy Section 151 Officer
Report author:	Moira Mackie, Senior Manager; email: moira.mackie@rbkc.gov.uk Tel: 020 7854 5922

1.   Executive Summary

1.1   The work carried out by the Council's Internal Audit Service in the reporting period found that, in the areas audited, internal control systems were generally effective with three positive assurance reviews (substantial or satisfactory) being issued in the period.

1.2   The follow up reviews completed in the period for five audits confirmed that the implementation of recommendations has been effective with the majority (92%) of recommendations fully implemented at the time of review.

1.3   Internal Audit's performance for the period was slightly below target for two indicators but these are expected to improve during the year.

1.4   The Appendices to this report provide the following information:

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

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

- **Appendix 3** - Performance Indicators.

2.   Recommendation

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

3.   Background, including Policy Context

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

4.   Internal Audit Opinion

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

4.2   The results of the audit reviews undertaken in the reporting period concluded that generally systems operating throughout the Council are satisfactory, with three positive assurance (substantial or satisfactory) reviews being issued in the period.

5.   Audit Outcomes (September to October 2018)

5.1   Since the last report to Members three audits have been completed, none of which identified any key areas of concern:

Audit	Assurance	RAG
ASC – Public Health Prioritisation Framework	Satisfactory	Green
Schools – St Mary Magdalene Primary	Satisfactory	Green
CS – Off Payroll Working (IR 35)	Substantial	Green

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

5.2 **Implementation of Audit Recommendations**

Five follow-up reviews were undertaken in the period (September to October 2018) which confirmed that 92% of recommendations made had been implemented with good progress made to implement the remaining recommendations:

Audit	No of Recs Made			No of Recs Implemented			No of Recs In Progress			No of Recs not yet actioned		
ASC – Carers Assessments	8			6			2			0		
CHS – Passenger Transport	13			12			1			0		
Schools – St Augustine's High School	7			7			0			0		
Schools – St Luke's Primary School	8			8			0			0		
CS – IT Mobile Device Security	1			1			0			0		
Total	**37**			**34**			**3**			**0**		
Priority of recommendations	H	M	L	H	M	L	H	M	L	H	M	L
	3	8	2	2	7	2	1	1	0	0	0	0

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

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

Moira Mackie on 020 7854 5922   **Email: Moira.Mackie@rbkc.gov.uk**

or
David Hughes on 020 7361 2389   **Email: David.Hughes@rbkc.gov.uk**

BACKGROUND PAPERS
Internal Audit Reports;

2018/19

Internal Audits Completed Year to Date

Audits Completed Year to Date - 2018/19

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
ASC	Direct Payments (cfwd from 2017/18)	**Green**	**Satisfactory**	1	4	7	September 2018
ASC	IT – Mosaic (cfwd from 2017/18)	**Green**	**Satisfactory**	0	0	1	September 2018
ASC	Public Health Prioritisation Framework (cfwd from 2017/18)	**Green**	**Satisfactory**	1	2	0	November 2018
CHS	Leaving Care (cfwd from 2017/18)	**Amber**	**Limited**	2	4	0	September 2018
CHS	Supplier Resilience (cfwd from 2017/18)	**Green**	**Satisfactory**	0	2	1	September 2018
CHS	IT – Mosaic (cfwd from 2017/18)	**Green**	**Satisfactory**	0	3	0	September 2018
School	Our Lady of Dolours (cfwd from 2017/18)	**Green**	**Satisfactory**	0	2	3	September 2018
School	St Barnabas (cfwd from 2017/18)	**Green**	**Satisfactory**	0	5	3	September 2018
School	St Peters Chippenham Mews (cfwd from 2017/18)	**Green**	**Satisfactory**	1	1	4	September 2018
School	St Mary Magdalene (cfwd from 2017/18)	**Green**	**Satisfactory**	0	3	3	November 2018
GPH	Planning (cfwd from 2017/18)	**Green**	**Satisfactory**	0	3	0	September 2018
CMC	Licensing (cfwd from 2017/18)	**Green**	**Satisfactory**	0	4	2	September 2018
CMC	Libraries Target Operating Model (cfwd from 2017/18)	**Green**	**Satisfactory**	0	4	1	September 2018
CS	IT – Service Governance (cfwd from 2017/18)	**Green**	**Satisfactory**	0	2	1	September 2018

Audits Completed Year to Date - 2018/19

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
CS	IT – Procurement & Contract Monitoring (cfwd from 2017/18)	**Amber**	**Limited**	2	3	0	September 2018
CS	Members' IT (cfwd from 2017/18)	**Amber**	**Limited**	2	4	0	September 2018
CS	HR – Pensions Admin (cfwd from 2017/18)	**Green**	**Satisfactory**	0	1	4	September 2018
CS	HR – Off Payroll Working (IR35) (cfwd from 2017/18)	**Green**	**Substantial**	0	1	0	November 2018
CT	Housing Benefit (cfwd from 2017/18)	**Green**	**Substantial**	0	0	0	September 2018
CT	NNDR (cfwd from 2017/18)	**Green**	**Substantial**	0	0	0	September 2018

Additional Information on Audits (Main report – Paragraph 5.1)

Adult Social Care:

1. **Public Health Prioritisation Framework (satisfactory assurance)**

The Director of Public Health (DPH) has a statutory responsibility to deliver:
- Public health input to health and care service planning and commissioning;
- Measurable health improvement;
- Reduction of health inequalities; and,
- Health protection including emergency response.

The DPH has a ring-fenced budget to support delivery of these duties which is in place until April 2020 and may be extended beyond this date. The direction of commissioning is towards integrated commissioning with Adult's and Children's services. To ensure the DPH can effectively input into health and care service planning and commissioning, a Public Health services annual review is carried out. The primary purpose of the Prioritisation Framework is to inform discussions/strategies related to future funding decisions and budget allocations. The output from the framework does not result in a ranking of services commissioned, but is an annual data capture tool to consistently summarise important information across the Public Health commissioned portfolio. The framework can also be used to inform service/ quality improvement plans.

The audit confirmed that the Council's Prioritisation Framework was in line with the Public Health England Prioritisation Framework tool; included sufficient information to enable a clear link back to Public health outcomes; was evidence based; provided transparency, and allowed costs of funding one service over another to be better understood. Since the Council's Framework was developed, a departmental reorganisation has taken place with Public Health commissioning forming part of a wider integrated commissioning department.

One high and two medium priority recommendations were made to improve the information that supports the framework and more clearly demonstrates service and quality improvement and data capture. The service is going to review the tools and processes available to support evidenced based decisions and quality assurance and this will be built into future business planning and provide assurance that the Public Health Grant is spent in accordance with the conditions of the grant.

Children's Services:

2. **Schools**

Audits of the Council's schools are carried out using an established probity audit programme, usually on a three-year cycle unless issues dictate a more frequent review. The programme is designed to audit the main areas of governance and financial control. The programme's standards are based on legislation, the Scheme for Financing Schools and accepted best practice. The purpose of the audit is to help schools establish and maintain robust financial systems.

In the reporting period, one final report has been issued in respect of school audits:
- St Mary Magdalene Primary School (satisfactory assurance).

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

Corporate Services:

3. **HR: Off Payroll Working (IR35) (substantial assurance)**

In April 2017, the Government introduced reforms to the intermediaries' legislation often known as IR35. The original IR 35 legislation effective from April 2000, was introduced with the aim of eliminating the avoidance amongst contractors of PAYE tax and National Insurance contributions via the use of intermediary companies. The legislation ensures that individuals who work through their own company pay employment taxes in a similar way to employees. The April 2017 reforms make it the responsibility of the Council to determine if the off-payroll rules for engagements apply. The Council is also required to account for and pay associated employment taxes and National Insurance Contributions (NICs) to HM Revenue and Customs (HMRC).

An audit of the Council's plans for implementing the requirements of IR35 was undertaken in 2016/17 and this received a limited assurance opinion. Now that the Council's policies and procedures have been in place for some time, it was considered appropriate to undertake a further audit in this area. The audit identified that appropriate policies and procedures had been prepared by the Council to ensure that staff are aware of their responsibilities and the checks that must be undertaken. In addition, an IR35 Consultant Specification is available to hiring managers to aide compliance. Controls are also in place to check and verify the employment status of each consultant/ temporary worker to ensure compliance with the legislation.

One medium priority recommendation was made to enhance the systems of control which has been accepted by management.

Performance Indicators 2018/19

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 7) Full year target = 90%	45%	38%	Slightly below target.
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	88%	Slightly below target.
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%	3 received average score 4.5 (where 5 is the top score)
Percentage of recommendations implemented or in progress	95%	100%	YTD 50 out of 50 recommendations.