



Meeting:	Audit & Performance Committee
Date:	19 September 2019
Classification:	General Release
Title:	<b>Internal Audit Progress Report (April to July 2019/20)</b>
Wards Affected:	All
Key Decision:	No
Financial Summary:	There are no financial implications arising from this report
Report of:	Director for Audit, Fraud, Risk Management & Insurance
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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 with three positive assurance reviews (substantial or satisfactory) being issued in the period.
- 1.2 The follow up reviews for two audits completed in the period confirmed that the implementation of recommendations has been effective with all of recommendations fully implemented at the time of review.
- 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.

## 2. Recommendation

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

### **3. Reasons for Decision**

- 3.1 The work undertaken by the Internal Audit Service is reported to the Committee during the financial year to enable the Committee to consider the progress made against the Internal Audit Plan and the outcomes of the completed audits which are considered as part of the Annual Assurance Opinion provided by the Shared Services Director for Audit, Fraud, Risk and Insurance.

### **4. Background, including Policy Context**

- 4.1 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. Key issues identified from audit work are reported each month to the Council's Deputy 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.

### **5. Internal Audit Opinion**

- 5.1 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.
- 5.2 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.
- 5.3 Two limited assurance reports have also been issued:
- City Management & Communities – Cemeteries Contract Monitoring;
  - Growth, Planning & Housing – Compliance Data.

The details of these audits are contained in paragraphs 6.1.1. and 6.1.2.

## 6. Audit Outcomes (April to July 2019)

6.1 Since the last report to Members five audits have been completed, three of which did not identify any key areas of concern:

Audit	Assurance	RAG
F & R – BT Agilisys Contract Monitoring*	Satisfactory	Green
CMC – Certified Enforcement Agents*	Satisfactory	Green
CMC – Cemeteries Contract Monitoring	Limited	Amber
CMC – Registrar Service Income*	Substantial	Green
GPH – Compliance Data	Limited	Amber

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

In addition, one advisory report has been issued in the following area:

- Growth, Planning & Housing – Programme Assurance (Capital)

Recommendations arising from advisory reports are followed up and the implementation of these recommendations will be reported in summary to the Committee.

### 6.1.1 City Management & Communities – Cemeteries Contract Monitoring (Amber)

The Council has three cemeteries which are all located outside the borough: Hanwell Cemetery, East Finchley Cemetery and Mill Hill Cemetery.

A formal contract covering provision of the Management and Maintenance of Parks, Open Spaces and Cemeteries was awarded effective from 1 April 2017. With regards to the cemeteries, the contractor is responsible for:

- Burial Services – arranging and managing burial services including all aspects of financial management (the Council remains responsible for setting the pricing policy for burial services);
- Maintenance of grounds, memorials and other cemeteries infrastructure; and,
- Administration of cemetery records, registers and plans.

The Bereavement Service provided by the contractor includes the administration and organisation of burial arrangements, attendance at interments and ensuring compliance with the associated legal requirements and Burial Codes of Practice. Other functions of the service include the sale of grave spaces for future use, the issue of permits for the erection of monuments, searches and the transfer of grave ownership and grave spaces.

The audit identified a number of areas where improvement was required to the process to ensure that the contractor was providing the service expected. Four high, seven medium and two low priority recommendations were made to address the following areas of weakness:

- The computerised administration system which had been in use prior to the re-let of the contract, was no longer working. The Cemetery Manager was maintaining all burial transactions, invoices, receipts, deed, registers and other related records manually since shortly after the current contract commenced in April 2017;
- There was no cemetery strategy in place identifying the long-term aims and objectives of the service and setting out how these will be achieved;
- The contract began 1 April 2017 but was not formally signed by the respective parties until 1 May 2019;
- Monthly meetings are usually held with the contractor with minutes produced by the contractor. The Council is informed of forthcoming plans and actions from the minutes produced and not by pre-meeting reports which focus on historical information;
- Each of the three cemeteries has a separate fire-proof cabinet where the Bound Burial Registers are stored. Other related burial records are also securely filed in locked metal filing cabinets;
- The 'City of Westminster Cemetery Regulations' were issued in 2006 and have not been reviewed and/or updated since;
- Evidence could not be produced to show that cemetery memorial testing at all three cemeteries had been planned and implemented on at least a five-yearly basis in accordance with legislative requirements. Additionally, results from the interim inspections showed that the correct classifications had not always been identified and therefore had not been subsequently reported and followed-up;
- The Contract includes a requirement for nine specific assessments/inspections to be undertaken annually. The relevant information was provided by the contractor some of it was out-of-date and there was no evidence that the reports/assessments were acted upon; and,
- The Cemeteries website was last updated in August 2016 and may not accurately reflect the information or advice that would be useful to visitors to the website.

The recommendations made have been accepted by management and are expected to be implemented by the end of December 2019.

#### **6.1.2 Growth, Planning & Housing – Compliance Data (Amber)**

Health and Safety Compliance checks are required to help ensure that residential properties occupied by tenants and leaseholders, or community buildings being used, are safe and secure. The Council is required to arrange for checks to be undertaken to meet its statutory responsibilities. This audit was undertaken at the end of the 2018/19 financial year when CityWest Homes (CWH) were responsible for managing these compliance checks with the Council taking back responsibility for them in April 2019.

The key findings of this audit are summarised below:

- The Fire Strategy Document was last reviewed in September 2016 and therefore review was overdue;

- Examination of training records identified that a number of staff had not completed the mandatory Health & Safety e-learning training;
- The CWH Fire Strategy document offers guidance on the frequency of the Fire Risk Assessments (FRAs). Testing of 20 cases identified two where the FRA review date had passed but the review had not been completed. In 11 cases, the FRA had remedial actions outstanding (either not started or in progress). In two of these cases, one outstanding action was assigned a high priority;
- The CWH's asbestos register is maintained on the cloud-based system, Keystone. All surveys are completed by the nominated contractor and passed over to CWH. All identified and presumed Asbestos Containing Materials (ACMs) are given a risk assessment score. Guidance on the frequency of ACM re-inspections can be found in the Asbestos Management Procedure however, management explained that historically, these timescales have not been followed and CWH has not completed the re-inspection of retained ACMs. It was noted that in 2017 the Executive Team approved a three-year risk-based re-survey programme of the communal areas of residential blocks of flats;
- Testing of 20 cases identified four cases where there was no asbestos survey data held for the property. However, all four of these properties were on the Asbestos Survey and Re-Inspection Programme. For the 16 cases where a survey was held on file, a review date for the re-survey had not been set (although some were found to be on the Re-Inspection Programme). In five cases, the asbestos surveys identified the need for removal or encapsulation of ACMs. We confirmed that in two of those cases, an order had been raised with the contractor and was due to be completed. In the remaining 3 cases, no documents were found on file regarding action being taken;
- Gas safety checks on all properties are undertaken on an annual basis by the approved contractor. Testing of 20 cases identified two cases where the date of the inspection was incorrectly input on to the housing management system (Orchard). However, the review date for the gas safety check was correct so the error would not cause a delay of the safety check. In two cases, remedial works were needed following the safety check, but no order had been raised (although both of those were minor issues). The Gas Contract Manager explained that whenever remedial works are needed, the contractor should inform CWH so that an order can be raised;
- All water tanks are surveyed on a six-monthly basis by the nominated contractor. Relevant certificates for the inspections are kept in the document management system (Swordfish) and records of all checks are also recorded in Orchard. Any remedial actions needed are undertaken by raising an order on Orchard with the contractor. Testing of 20 cases identified that in 12 cases, remedial works were needed following the check. We confirmed that in three of those cases, a job was raised and completed. In the remaining 9 cases, we were informed the works would form part of the summer works programme as none of the issues constitute a significant or immediate risk to tenants;
- All properties should receive an electrical safety check every five years, which is undertaken by the nominated contractor. Examination of the 5 Year Periodic Electrical Testing Programme, which commenced in January 2018, identified that this contains statistics indicating current progress overall and by area and also how many have satisfactory certificates, unsatisfactory certificates; and how many have not been tested (and out of those how many were due to no access having been

gained to the property). Testing of 20 cases identified in one case, the electrical safety inspection had expired and was overdue. However, an order for a re-inspection was raised at the time of the audit;

- Portable Appliance Testing (PAT) is carried out by the nominated contractor on appliances located in Sheltered Schemes, Residents Halls, Concierge Lodges and Estate Offices. All PAT testing is undertaken on an annual basis and a PAT testing programme is maintained to confirm when the checks are undertaken. Testing of a sample of 10 locations confirmed that in all cases, the PAT testing was carried out within the last 12 months and a certificate was issued to confirm this;
- Training matrices for all relevant contractors were reviewed and confirmed that all staff were appropriately qualified for undertaking the inspections. Performance monitoring was completed monthly via the CWH Performance Dashboard which was reviewed by the Executive Team. It was noted that the target for completing FRAs in time was 85%, which is lower than other organisations and consideration should be given to increasing this target;
- Quality assurance is undertaken by CWH on the work of the contractors. For asbestos, we were informed that the officer responsible takes up any issues with the contractor via email/phone but no central record was maintained of samples checked, issues found and confirmation of issues being resolved;
- For the mechanical and engineering contracts, a post-inspection on a 10% of the works is completed each month. The water and electrical post-inspections are recorded on Orchard. For gas safety, the officer checks the certificates and contacts the contractor for any issues;
- We were informed that post-inspections reports can be run from Orchard; however, the reports only state how many post-inspections were completed; they do not include the result of the inspection (work complete, work incomplete or quality issues). We were informed that staff are currently in the process of developing more sophisticated reports that can extract more meaningful data from Orchard; and,
- The audit testing confirmed that monthly meetings take place with each of the specialist contractors. Examples of items discussed include staff training, quality of works (inspections and follow up jobs), and resident engagement and communication.

The audit made two high, five medium and five low priority recommendations all of which are expected to be implemented by October 2019. Since the audit was completed, the responsibility for implementing the recommendations has reverted to the Council following the transfer of functions from CityWest Homes. The two high priority recommendations relate to asbestos surveys and remedial works and Housing Management are aware of the weaknesses in asbestos management which are being addressed as a matter of priority.

## **6.2 Implementation of Audit Recommendations**

Two follow-up reviews were undertaken in the period (April to July 2019) which confirmed that 100% of recommendations made had been implemented:

<b>Audit</b>	<b>No of Recs Made</b>			<b>No of Recs Implemented</b>			<b>No of Recs in Progress</b>			<b>No of Recs not yet actioned</b>		
St Mary of the Angels Primary School	8			8			0			0		
Housing Benefit	1			1			0			0		
<b>Total</b>	<b>9</b>			<b>9</b>			<b>0</b>			<b>0</b>		
Priority of recommendations	H	M	L	H	M	L	H	M	L	H	M	L
	0	4	5	0	4	5	0	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.

## **7. Financial Implications**

7.1 There are no financial implications from this report.

## **8. Legal Implications**

8.1 There are no legal implications from this report.

## **9. Staffing Implications**

9.1 There are no staffing implications from this report.

## **10. Consultation**

10.1 The Internal Audit Plan and the work undertaken by the Internal Audit Service is prepared in consultation with the Council’s Executive Leadership Team and officers within the Council and supports the Executive Director’s responsibility under S151 of the Local Government Act 1972 relating to the proper administration of the Council’s financial affairs.

**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**

**2019/20**

**Internal Audits Completed Year to Date**

## Audits Completed Year to Date - 2019/20

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
Finance & Resources	BT Agilisys – Contract Monitoring (2018/19 cfwd)	Green	SATISFACTORY	1	4	0	September 2019
City Management & Communities	Cemeteries – Contract Monitoring (2018/19 cfwd)	Amber	LIMITED	4	7	2	September 2019
City Management & Communities	Certified Enforcement Agents – Contract Monitoring (2018/19 cfwd)	Green	SATISFACTORY	0	4	6	September 2019
City Management & Communities	Registrar Service - Income	Green	SUBSTANTIAL	0	2	2	September 2019
Growth, Planning & Housing	Housing – Compliance Data	Amber	LIMITED	2	5	5	September 2019
Growth, Planning & Housing	Capital Programme – Programme Assurance (phase 1)	n/a	ADVISORY	n/a	n/a	n/a	September 2019

**Additional Information on Assurance Audits (Main report – Paragraph 6.1)****Finance & Resources:****1. IT – BT Agilisys – Contract Monitoring (satisfactory assurance)**

The Council's IT function is shared with the Royal Borough of Kensington & Chelsea (RBKC). The core IT service is defined and delivered by appointed service providers. BT provide the desktop and datacentre services. Agilisys provide the service desk and legacy datacentre services. Agilisys are working with BT to migrate the remaining datacentre services across to BT. Responsibility for managing these outsourced centres lies with Westminster under the Bi-borough arrangement with the RBKC.

The review of the contract monitoring arrangements in place identified areas for improvement with one high and four medium priority recommendations made to address the following weaknesses:

- The formal framework agreement and call off contract for one of the services could not be located;
- The Framework Agreement and the Call Off Contracts include a requirement for the Service Provider to develop a Continual Service Improvement Plan (CISP) based on the Three-Year Rolling Programme which should be reviewed by the Operational Framework Board to agree the factors which will influence the revision of the Programme and the Framework Continual Improvement Plan. The CISP reviewed was dated January 2017 did not contain entries for the risk register, task list, key events and/or milestones. This CISP had been included in monthly service reports from November 2018 to April 2019 but there was no evidence of updates to it;
- The End User Computing Manager receives appropriate contract monitoring and performance management reports. However, the Framework Manager who has overall responsibility for monitoring contract performance does not receive these reports;
- The Operational Framework Board should meet according to the agreed frequency of at least one meeting per year and minutes taken of each meeting and circulated to all authorities who have a call off contract under the framework agreement. The minutes of the Operational Framework Board confirm it met periodically from March 2015 to June 2016. The last meeting was held in March 2017. Updates prepared by Agilisys and BT for November 2017 and February 2019 were provided but no minutes were provided for these meetings; and,
- Detailed schedules to support summary invoice were not retained with the invoices received.

The recommendations have been accepted and are due to be implemented within six months.

## City Management & Communities:

### 2. Certified Enforcement Agents (satisfactory assurance):

Following a procurement process in accordance with the Concession Contracts Regulations (CCR) 2016, the collection of parking debt was under the terms of a five-year zero cost contract with effect from 1 November 2017 with an option to extend for a further four years. The fees charged by the contractor are governed by legislation, with a percentage of recovered fines paid to the Council and the corresponding fees are retained by the contractor. Regular monthly meetings are held with the contractor to discuss progress in collecting the outstanding debts, to review queries and to consider any complaints. More recently the bailiffs have been wearing body cameras, in accordance with the requirements of the Commissioner's Office, which is helping to reduce conflict and dispute.

The audit identified some areas where controls could be improved with four medium and six low priority recommendations made to address the following:

- There are no specific objectives in respect of 'minimising write-offs' or 'improving foreign debt recovery';
- The contract monitoring manager and other staff were all originally trained in contract management several years ago and the Council's Contract Management Framework requires, as a minimum, that all contract managers must have attended the Contract Management Framework training within the last two years;
- Monthly meetings are attended by representative from the contractor, and two or three Council officers but are not formally minuted. The topics discussed and the agreed outcomes for each meeting are recorded on a 'mobilisation plan' however, this was not being formally updated to include details of the responsible officer and a timeline for each agreed action. At the time of the audit, this recommendation was adopted and the latest mobilisation plan had been updated thereby providing more of a focus on the completion targets;
- A sample of cases managed by the contractor were reviewed and one case file contained a document that applied to a different case not related to Westminster Council. This finding was reported to the contractor who implemented a verification process in respect of all manually scanned correspondence to ensure the terms of the GDPR are met; and,
- The write-off report identifies the largest category relate to foreign vehicle Penalty Charge Notices. This could be reduced by using persistent evader legislation but would be dependent upon the Council re-introducing a limited removal policy which has been considered but not implemented.

The recommendations have been agreed with some already implemented.

### 3. Registrar Service Income (substantial assurance)

The Council primarily operates registration services from three Council-owned properties:

- Harrow Road (Registrars Services);
- Mayfair Library (Registrars Service); and,
- Old Marylebone Town Hall (OMTH) also formerly known as Council House (Registrars Service on-site and at authorised venues).

The London Business School (LBS) undertook a major refurbishment of OMTH and reconfigured the suite of ceremonial rooms and other facilities which are now sub-let to the Council. The Council is responsible for a service charge for the accommodation which is calculated based on the proportion of costs applicable to the leased space.

## APPENDIX 2

This audit reviewed the strategy and effectiveness of the Registrar service at maximising the net income from OMTH. It was noted that the service has adopted a dynamic pricing module which:

- Aims to cover the total costs of providing the service, thus ensuring that local taxpayers are not subsidising the couples marrying within the borough;
- Enables weddings to be priced according to the demand patterns, the facilities offered and ancillary services that are also available; and,
- As part of the Commercialisation Strategy, introduced a commercial hire element for ceremonies at OMTH which allows a commercial fee for this element, rather than a cost recovery fee.

To maximise income, the service participates in print and social marketing and is seeking to ascertain the effectiveness of their existing marketing efforts and related expenditure. They are moving towards the creation and execution of a marketing strategy based around brand awareness of the venues, the personnel and services available and to develop the range of services offered, including venue hire.

In the first complete year of operation (2018/19) the focus of OMTH management was to re-establish the Registrar service in a manner which maximised awareness of the new facilities and income from the expanded facilities and that this had been successfully achieved. The audit identified some areas where improvements should assist with the future development of the service and two medium and two low priority recommendations were made to assist with this, including:

- The development of a medium-term strategic plan for OMTH to demonstrate potential income generation from services additional to the current offer; and
- Introducing a marketing strategy for OMTH and ensuring that there is an appropriate methodology in place for assessing the impact of marketing on objectives identified.

The recommendations have been agreed by management and are expected to be implemented over the next 6 months.