


<p>London Borough of Hammersmith & Fulham</p> <p>AUDIT, PENSIONS AND STANDARDS COMMITTEE</p> <p>17 JULY 2018</p>	
<p>INTERNAL AUDIT UPDATE REPORT FOR THE PERIOD 1 JANUARY – 31 MARCH 2018</p>	
<p>Report of the Director of Audit, Fraud, Risk and Insurance</p>	
<p>Open Report</p>	
<p>Classification: For Information Key Decision: No</p>	
<p>Wards Affected: None</p>	
<p>Accountable Director: David Hughes, Director of Audit, Fraud, Risk and Insurance</p>	
<p>Report Author: David Hughes, Director of Audit, Fraud, Risk and Insurance</p>	<p>Contact Details: Tel: 0207 361 2389 E-mail: David.HughesAudit@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. This report summarises internal audit activity in respect of audit reports issued during the period 1 January to 31 March 2018 as well as reporting on the performance of the Internal Audit service and progress against 2016/17 external audit recommendations and 2016/17 Annual Governance Statement agreed actions.

2. RECOMMENDATIONS

- 2.1. To note the contents of this report.

3. REASONS FOR DECISION

- 3.1. Not applicable. No decision required.

4. PROPOSAL AND ISSUES

- 4.1. This report summarises internal audit activity in respect of audit reports issued during the period 1 January to 31 March 2018, and is for the Committee to note.

- 4.2. The report also provides an update on actions arising from work carried out by the external auditor on the Council's accounts for 2016/17 and from the Annual Governance Statement for 2016/17.

Internal Audit Coverage

- 4.3. The primary objective of each audit is to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found internal audit will propose solutions to management to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if management agree audit recommendations and implement changes in a timely manner.
- 4.4. A total of 16 audit reports were finalised in the fourth quarter of 2017/18 from 1 January to 31 March 2018, including 2 Substantial Assurance, 10 Satisfactory Assurance and 3 Limited Assurance reports.
- 4.5. The audit of Legal Services Budget Management was added to the Internal Audit plan at the request of management. The reviewed received a Limited Assurance opinion with 3 high priority, 4 medium priority and 1 low priority recommendation being raised. These recommendations were due for implementation between March and July 2018. It is noted that this review was undertaken while Legal Services was being delivered under a tri-borough arrangement but that it became a sovereign service, under the leadership of the Assistant Director of Legal Services, from 1 April 2018. All of the recommendations raised have been confirmed as implemented.
- 4.6. The audit of Corporate Property Services Framework received Limited Assurance with 1 high priority and 1 medium priority recommendation. These recommendations are due for implementation in July 2018.
- 4.7. The audit of Agresso Payroll (Shared Services) also received Limited Assurance with 4 high and 1 medium priority recommendation. These recommendations were due for implementation by May 2018.
- 4.8. A summary of the limited assurance reports is set out in Appendix B.
- 4.9. Departments are given 10 working days for management agreement to be given to each report and for the responsible Director to sign it off so that it can then be finalised. There are no outstanding draft reports at the time of writing.
- 4.10. Three Follow Ups of Limited Assurance reports were undertaken in the period. In two cases, all recommendations were found to be implemented. In one case (Trading Accounts) 3 recommendations were partly implemented and 2 were not implemented.

Outstanding audit recommendations

- 4.11. The Internal Audit service works with key departmental contacts to monitor the implementation of agreed recommendations.

- 4.12. There are now 8 audit recommendations where the target date for the implementation of the recommendation has passed and they have not been fully implemented. The recommendations relate to two reports relating to the Public Services Reform directorate and are shown at Appendix C. This compares to 6 outstanding as reported at the end of the previous quarter. We will continue to work with departments to reduce the number of outstanding issues.
- 4.13. None of the recommendations listed are over 6 months past the target date for implementation as at the date of the Committee meeting. Internal Audit are continuing to focus on clearing the longest outstanding recommendations.

Implemented recommendations

- 4.14. The table below shows the number of audit recommendations raised each year that have been reported as implemented. This helps to demonstrate the role of Internal Audit as an agent of change for the Council.

Year	Number of recommendations due	Recommendations implemented
2015/16	254	254
2016/17	219	216
2017/18	50	44

Internal Audit Service

- 4.15. Part of the Senior Audit Manager's function is to monitor the quality of Mazars' work. Formal monthly meetings are held with the Mazars Contract Manager and one of the agenda items is an update on progress and a review of performance against key performance indicators. The performance figures for the 2017/18 financial year are below.

Performance Indicators 2017/18

Ref	Performance Indicator	Target	Actual	Variance	Comments
1	% of draft reports issued within 10 working days of exit meeting or end of fieldwork (whichever is later)	95%	91%	-4%	30 out of 33 draft reports issued within 10 working days of exit meeting or end of fieldwork.
2	% of final reports issued within 5 working days after agreement of management responses (this does not include reports which do not require director approval, e.g. follow up or other special deliverables)	100%	96%	+1%	22 out of 23 final reports issued within 5 working days after agreement of management responses.
3	% of plan complete based on deliverables (draft reports and Mgt letters)	95%	94%	-1%	47 deliverables issued out of a total plan of 50.
4	% of audit briefs issued 10 days before start of audit (Accounting for Exceptions)	95%	100%	+5%	26 out of 26 draft reports issued within 10 working days of exit meeting.
5	% of audit follow ups completed	100%	100%	0%	4 out of 4 audit follow ups completed

Update on External Audit Recommendations

- 4.16. All recommendations arising from the External Audit Report 2016/17 have now been reported by management as implemented, with the final two completed since the last report to the Committee shown in Appendix D. Internal Audit has not

verified the information provided and can therefore not give any independent assurance in respect of the reported position. All such recommendations are followed up by the external auditor and are reported to the Committee as part of the annual audit report.

Update on Annual Governance Statement recommendations

- 4.17. One item from the 2016/17 Annual Governance Statement remains open and will be completed when the Council moves from the current BT Agresso system to the SAP solution provided by Hampshire County Council. The update provided previously to the Committee is shown in Appendix E for completeness.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1. The Director of Audit, Fraud, Risk and Insurance is required to provide an annual report and opinion on the Council's system of internal control under the Public Sector Internal Audit Standards. To enable this, an annual Internal Audit Plan covering the Council's key risks is devised in consultation with the Strategic Leadership.

6. CONSULTATION

- 6.1. The report has been subject to consultation with the Strategic Leadership team.

7. EQUALITY IMPLICATIONS

- 7.1. There are no equality implications arising from this report.

8. LEGAL IMPLICATIONS

- 8.1. Internal Audit is a statutory requirement as set out in the Accounts and Audit Regulations 2015.

9. FINANCIAL IMPLICATIONS

- 9.1 The Internal Audit Plan is delivered within the service budget. Actions required as a result of audit work, and any associated costs, are the responsibility of the service managers and directors responsible for the areas which are reviewed.

10. IMPLICATIONS FOR BUSINESS

- 10.1. There are no implications for business arising from this report.

11. COMMERCIAL IMPLICATIONS

- 11.1 There are no commercial implications arising from this report.

12. IT IMPLICATIONS

- 12.1. There are no ICT implications arising from this report.

13. RISK MANAGEMENT

11.1 The Internal Audit Plan is developed and delivered to cover the key risks faced by the Council, to provide assurance on the key controls in operation and the effective management of key risks.

14. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Full audit reports covered in this report	David Hughes 0207 361 2389	Corporate Services, Internal Audit Town Hall, King Street Hammersmith W6 9JU

LIST OF APPENDICES:

Appendix A	Audit reports issued 1 January to 31 March 2018
Appendix B	Summary of Limited Assurance Reports
Appendix C	Outstanding Internal Audit Recommendations
Appendix D	2016/17 External Audit Recommendations Update
Appendix E	2016/17 Annual Governance Statement Actions Update

APPENDIX A

Audit reports Issued 1 January to 31 March 2018

We have finalised a total of 16 audit reports for the period of 1 January to 31 March 2018 to be reported to this Committee. We categorise our opinions according to our assessment of the controls in place and the level of compliance with these controls.

No.	Audit Plan	Audit Title	Director / Sponsor	Audit Assurance
1	2016/17	ASC Contract Management – Advocacy Services	Lisa Redfern	Satisfactory
2	2017/18	Council Tax	Belinda Black	Substantial
3	2017/18	NNDR	Belinda Black	Substantial
4	2017/18	IT Service Governance	Veronica Barella	Satisfactory
5	2017/18	ICT Service Transformation Programme	Veronica Barella	Satisfactory
6	2017/18	Legal Services Budget Management	Tasnim Shawkat / Rhian Davies	Limited
7	2017/18	Supporting People – Housing Related Support Contracts	Lisa Redfern	Satisfactory
8	2017/18	St Peter's CE Primary School	Steve Miley	Satisfactory
9	2017/18	Utilities Management	Maureen McDonald Khan	Satisfactory
10	2017/18	Property Services Framework Procurement	Maureen McDonald Khan	Limited
11	2017/18	Transfer from Gassys to iWorld	David McNulty	Satisfactory
12	2017/18	Car Pound	Mahmood Siddiqi	Satisfactory
13	2017/18	Occupational Health	Mark Grimley	Satisfactory
14	2017/18	Payroll	Mark Grimley	Limited
15	2017/18	Accounts Payable	Hitesh Jolapara	Satisfactory
16	2017/18	Pension Investments	Phil Triggs (WCC)	Satisfactory

Substantial Assurance	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and few material errors or weaknesses were found.
Satisfactory Assurance	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Other Reports

Follow ups

No.	Audit Year	Audit Title	Total Recs	Recs Implemented	Partly Implemented	Not Implemented
17	2016/17	Service Charges	3	3	0	0
18	2016/17	Premises Licensing	5	5	0	0
19	2016/17	Trading Accounts	5	0	3	2

Summary of Limited and Nil Assurance Reports

APPENDIX B

Ref	Audit and Scope	Details	Assurance/Risk
1	<p>Legal Services Budget Management</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Budget Planning; • Budget Monitoring, Variances and Reserves; • Verification of S113 Charges; • Alterations and Virements; • Management Reporting; and • Management Control of Budget Drivers and Exception Reports. 	<p>At the request of the Strategic Finance Director on 25 January 2018, we undertook internal audit work on Legal Services Budget Management within in the London Borough of Hammersmith and Fulham. This audit was requested by the Strategic Finance Director following a forecasted overspend of £380K being reported by Legal Services in period 9 of the Council's financial year forming part of an overall projected overspend across the Council of £6.181m. A similar situation occurred last year with an overspend of £223K reported.</p> <p>Hammersmith and Fulham, like all Councils, have had significant reductions in funding, For Hammersmith and Fulham this has resulted in general Government grant funding reducing from £160m in 2010/11 to £90m by the end of 2018/19, a reduction of £70m (54% real terms and 43% cash). In addition, a further £8.6m reduction is expected by 2019/20. In response to this, Councils across the country are reorganising their services to reduce costs and focus on long term financial sustainability through prevention and demand management.</p> <p>The total budget for Legal Services for 2017/18 is £780,700 (income). The structure of Legal Services is due to change with LBHF transitioning from a shared service across the three boroughs to a sovereign legal service.</p> <p>In March 2017 Legal Services started working on a project to potentially merge with LGSS Law Ltd (subject to due diligence and final decision). In October 2017 LBHF decided not to proceed with the project and form a sovereign legal Service.</p> <p>One high, two medium and three low priority recommendations were raised as follows:</p> <ol style="list-style-type: none"> 1) The Legal Services budget for LBHF should be reviewed by Corporate Finance with involvement from Legal Services annually to account for lessons learnt from previous years and confirm the budget is still achievable. 2) All elements of the budget should be monitored and reviewed on a monthly basis and a forecast prepared by Legal services with support from Corporate Finance. Senior Managers in Legal Services and staff from Corporate Finance must make themselves available on a monthly basis to review the budget and forecast. 3) Recharges between the three boroughs should be raised on a monthly basis. 4) Senior managers in Legal services should ensure that the time management system is kept up to date and compliance with this should be monitored on a monthly basis. Action should be taken where staff continue to be behind in inputting their time. 5) Management should maintain more detailed records of non-chargeable time to enable them to monitor non-chargeable time of staff. 6) Consideration should be given to simplifying the spreadsheets use for recharges. Training and / or written guidance should be provided to other officers in the maintenance and use of the spreadsheets. 	Limited

Ref	Audit and Scope	Details	Assurance/Risk
2	<p>Procurement Compliance – Corporate Property Services Framework</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Strategic Assessment and Business Justification (Strategic Outline Business Case); • Project Governance; • Contract Strategy; and • Delivery/Procurement Strategy (Outline Business Case & Options Appraisal and Authorisation to Proceed to Procurement). 	<p>The London Borough of Hammersmith and Fulham established and procured a Framework consisting of eight lots in October 2013 from which to commission corporate property work. The current framework expired in October 2017, however an extension to 1 January 2018 was agreed to allow its re-procurement to take place. The main users of the framework are officers from Corporate Property Services, Housing, and Planning procuring property services and advice.</p> <p>A review of the current framework has been undertaken to help inform revisions to the next property services framework lots to be procured. The Council is seeking to procure six lots for the provision of a range of property advice that may be required in respect of LBHF assets.</p> <p>Building and Property Management Senior Management Team (chaired by the Director) is acting as the Project Board. The Head of Asset Strategy & Portfolio Management is the Senior Responsible Officer for the procurement work.</p> <p>One high and one medium priority recommendation was raised as follows:</p> <ol style="list-style-type: none"> 1) A shared file directory should be used for all procurement documentation and be accessible to all officers involved in a procurement project's management. The documents that could not be provided should be located and made accessible. 2) Where areas of the project over-run, the Council should implement measures and form an action plan to ensure the task is completed as soon as possible and the project brought back into time. A lessons learnt log should be produced and all lessons recorded to it along with cause, effect and correcting actions where initiated. The lessons learnt should be taken to an immediate post-completion lessons learnt report. The lessons learnt report should be filed with the PMO (or equivalent). The lessons learnt should be disseminated as necessary by the PMO. 	<p>Limited</p>

Ref	Audit and Scope	Details	Assurance/Risk
3	<p>Agresso Payroll – Shared Services</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Policies and Procedures; • Reporting and Monitoring; • Starters to Payroll; • Leavers to Payroll; • Variations to Pay; • Standing Data; and • Management Reports. 	<p>As part of the Managed Services agreement, BT is contracted to deliver a payroll service to all three Councils through the Agresso Business World application which went live in April 2015. The payroll service is delivered through the BT Shared Service Centre supported by the Framework Intelligent Client Function (ICF) and the retained HR teams within each Council.</p> <p>Retained HR teams are available to provide managers with support on certain HR and payroll related matters across each Council although the bulk of these issues should be directed in the first instance to BT Shared Service through the Service Now portal by users with any payroll related queries.</p> <p>An appropriate replacement solution to Agresso has been identified and, following approval by Cabinet, the Council will be using the Hampshire Partnership SAP solution to replace BT in providing the managed services for HR, payroll and finance. It is anticipated that the Hampshire Partnership SAP solution will be implemented in the Autumn 2018.</p> <p>From various payroll data reports provided for all three councils, a suite of tests and analytical processes using audit specialist software was performed on the data to highlight potential indicators of control weaknesses and erroneous transactions. The results from the data analytic reports were used to focus audit testing to detect any errors and omissions in payroll transactions.</p> <p>Four high and one medium priority recommendation was raised as follows:</p> <ol style="list-style-type: none"> 1) Historical payroll errors need to be verified and action to resolve these agreed by the Councils as soon as possible with timelines for action clearly stated. 2) The Intelligent Client Function should ensure that the Block 3 Delivery Plan actions and change requests which impact on data integrity are satisfactorily completed and take such other actions as are possible so that: <ol style="list-style-type: none"> a) The data which is migrated to the new solution is as accurate and complete as possible; and b) The fullest possible audit trail of supporting documentation for new starters is maintained and available. 3) The Intelligent Client Function should ensure that the Block 3 Delivery Plan actions and change requests which impact on data integrity are satisfactorily completed and take such other actions as are possible so that: <ol style="list-style-type: none"> a) The data which is migrated to the new solution is as accurate and complete as possible; and b) The fullest possible audit trail of supporting documentation for new payroll leaver records is maintained and available. c) The Framework Intelligent Client Function should work with the Retained HR teams to encourage line managers to improve the completion of SN10 forms 4) The Intelligent Client Function should ensure that the Block 3 Delivery Plan actions and change requests which impact on data integrity are satisfactorily completed and take such other actions as are possible so that: <ol style="list-style-type: none"> a) The data which is migrated to the new solution is as accurate and complete as possible; and b) The fullest possible audit trail of supporting documentation for payroll variations to pay records is maintained and available. c) The Framework Intelligent Client Function should work with the Retained HR teams to encourage line managers to improve the processing of variable payments by employees and line managers. 5) The Intelligent Client Function should liaise with BT to identify any steps that can be taken to improve the quality and integrity of standing data. 	<p>Limited</p>

Summary of Outstanding Internal Audit Recommendations

APPENDIX C

This is a schedule of all recommendations where the target date for implementation has passed and either the recommendation has not been fully implemented, or the auditee has failed to provide information on whether it has been implemented.

Ref	Recommendation	Priority (1/2/3)	Agreed Target Date	Sponsor (Name/Title)	Status
Public Services Reform: Procurement Governance (2016/17 review) – Satisfactory Assurance					
1	The drafted Corporate Procurement Strategy should be reviewed for adequacy, updated where necessary, and then approved in order to provide clarity on the strategic direction of LBHF Corporate Procurement.	2	31/03/2018	Rachel Wright Turner – Director of Public Services Reform	In 2017 a corporate procurement strategy was devised and approved by SLT and Cabinet. From this a Commercial Management programme is being developed. This programme is designed to deliver two main work streams on being contract savings and one developing a future target operating model to develop our procurement approach. In line with this it is intended to revisit the Council Standing Orders to better reflect the changing way the Council are wanting to engage with suppliers and the wider market.
2	The Corporate Procurement Team should review the Council spend data across service departments on a regular basis to identify high risk projects (allocating additional assistance / resources as required), to confirm compliance with the Contract Standing Orders and to identify instances where contracts should be formalised to obtain better value for money through aggregated spend.	2	31/03/2018	Rachel Wright Turner – Director of Public Services Reform	As part of the development of the Commercial Management Initiative programme we have updated all contract information and spend analysis for our contracts. This has included entering the inclusion of any contracts not on the central Cap E system so that we have a complete and dedicated list of information. It has been necessary to develop the management information around contracts. This activity is not a one off event but developing an ongoing process to create dashboards and undertake monitoring. This has now been completed and we are now in a position whereby data can be interrogated to identify areas suitable to extract savings, to monitor contracts which pose a greater risk to the council. and enable the development of future strategies for delivering services from the market.
Public Services Reform: Contractor Resilience (2017/18 review) – Limited Assurance					
3	Corporate guidance should be updated to clarify the checks and monitoring of continuity arrangements that should be undertaken where services are procured from a framework. This may be through requesting evidence and/or assurance from the framework provider rather than duplicating checks that have already been undertaken.	2	01/01/2018	Rachel Wright Turner – Director of Public Services Reform	Guidance is delivered through the corporate team, via the intranet, and we have recruited to vacancies to ensure that guidance can be maintained. This team works closely across the corporate governance process and the legal representatives to ensure the information we give is correct in order to meet the legal frameworks in which to procure. We are also reviewing the Council Standing Orders as well as procuring a new standalone system for ongoing monitoring of contract and procurement activity. In addition to this we are assessing the management information coming through the CMI programme and working closely with the Strategic Finance team to ensure there is a joined up approach between procurement, contracts and budgets.
4	Contract Managers and Officers involved in procurement should be reminded that checks on contractor financial standing and business continuity plans must be undertaken as part of the procurement process, that these checks should be recorded and confirmed in the Decision report recommending the award of the contract. Compliance spot checks should be undertaken to confirm that this	1	01/01/2018	Rachel Wright Turner – Director of Public Services Reform	As part of the procurement process a review of the financial position of the companies bidding for contracts are undertaken. This is supplemented by ongoing credit checks on a regular basis of the highest priority suppliers so that contingency action can be developed and taken if necessary. The Corporate Procurement team also holds the gate keeper role for agreeing and signing of cabinet and member reports to ensure that the financial and

Ref	Recommendation	Priority (1/2/3)	Agreed Target Date	Sponsor (Name/Title)	Status
	requirement is being complied with.				procurement function are considered and complement each other. Anomalies are highlighted and corrected. To date, there have been no spot check on contracts as there has been a focus on cleansing data to ensure that all contracts are recorded, along with ongoing financial and business continuity checks, and can be subject to compliance monitoring and reporting.
5	An assessment of supplier criticality should be undertaken to assign a priority to each supplier in accordance with corporate guidance. The assessment outcome and rationale for priority provided should be documented for each service assessed. The response to supplier resilience should then be proportionate to the priority rating. Sample checks should be undertaken to gain assurance that all suppliers have been accurately assessed. Consideration should also be given to reporting on key suppliers to SRG and SLT including determining: <ul style="list-style-type: none"> • Which contracts should be reported (e.g., all critical contracts) • What information is needed to assist with oversight, assurance and risk management of these contracts. 	1	31/03/2018	Rachel Wright Turner – Director of Public Services Reform	Ongoing prioritisation is undertaken on contracts to identify those suppliers that pose the highest risk. This work is ongoing and will be part of business as usual going forward once the exercise is completed. Reporting upstream to SLT and Audit needs to be developed so a dashboard approach can be devised and maintained. Assessment of supplier criticality and understanding the risks will be managed and improved throughout this financial year. This will be enabled by having a complete dataset of current contracts centrally recorded, to identify those contracts which represent the highest risk so they will be managed more effectively and where appropriate, to direct more specialised resource towards their management.
6	Resilience strategies and supply chain risk assessments should be developed for all suppliers considered critical to the Council's operations. Supplier continuity plans should also be subject to periodic testing. Sample checks should be undertaken to gain assurance that adequate resilience strategies are in place and that continuity plans are being tested. Assurance on the outcome of testing and sample checks should be reported to directorate management teams and SRG and / or SLT as appropriate.	1	31/03/2018	Rachel Wright Turner – Director of Public Services Reform	The corporate team are in early discussion in developing a corporate wide approach to resilience. This activity happens on certain contracts but is ad hoc in its approach. A more defined approach needs to be developed using the management information we are collecting, the ongoing credit checks being undertaken and the prioritisation exercise being completed in this financial year.
7	Contract Managers should be reminded to maintain regular and open channels of communication with suppliers to allow them an opportunity to raise issues relating to resilience.	2	01/01/2018	Rachel Wright Turner – Director of Public Services Reform	As part of the CMI programme we are looking at standardising contract managing and how we contract manage. This is also assessing how many contract managers we have in post and that they are trained to the right standard. The IACCM contract management qualification has been made available across the organisation for those engaged in contract management. As part of the CMI we are again engaging with contract managers across the council. The review of the Cap E sourcing system has highlighted that contract managers details have not been kept up to date and this is being addressed.
8	Sample checks should be undertaken to confirm that alerts are being acted on. The distribution list for credit alerts should be reviewed to confirm that recipients are appropriate. Consideration should be given to whether an officer, or officers, within each department should communicate alerts to contract managers or keep the distribution list manageable and up to date.	2	01/01/2018	Rachel Wright Turner – Director of Public Services Reform	Credit checks and alerts are run through the corporate procurement function and so any reports that cause concern are raised and communicated. This then needs to flow into a contingency and resilience plan that we have highlighted is being developed.

2016/17 External Audit Recommendations Update

APPENDIX D

Recommendation/Areas of Improvement	Initial response and timescale	Responsible Officer	Update to Audit, Pensions and Standards Committee
<p>R2 - Accruals identification/calculation - (Priority 2)</p> <p>During our testing of creditor accruals, we identified two accruals which had been made even though the expense had not yet been incurred by the Authority. The values in question were not material to the financial statements</p> <p>Moreover, the backing for accruals submitted by the services was not always accompanied by detailed supporting evidence of working, making obtaining audit evidence together with the internal scrutiny of the corporate finance team, challenging.</p> <p>Recommendation: Detailed guidance should be issued to the services regarding what expenditure should be accrued and the level of evidence required to support these accruals.</p>	<p>Agreed</p> <p>Existing guidance for raising accruals will be reviewed, updated as necessary and re-issued to the services. This guidance will specify the level of evidence required to support accruals. Corporate Finance will monitor compliance by the services with this guidance</p> <p>By when: December 2017</p>	<p>Strategic Director of Finance and Governance</p>	<p>COMPLETED</p>
<p>R4 - IT Control Deficiency- Change Documentation (Priority 3)</p> <p>During our testing of changes to the IT environment, we identified that there was one instance where the relevant change request and approval minutes could not be located. The reason for this is that the change was relatively old and the contractor who processed it had left BT's employment.</p> <p>Whilst a description of the change did not indicate that the change to the IT environment was inappropriate, there is a risk that the council cannot gain comfort over the appropriateness of its change control procedure if sufficient documentation is not held.</p> <p>Recommendation: Storage of change documents related to IT change requests should be reinforced to key officers.</p>	<p>Agreed</p> <p>The shortfall in required practices will be notified to BT and supported by the issue of the appropriate contract warning notices. The Council will work with BT to increase the performance monitoring in this area, and will introduce checks and controls to confirm resolution by BT.</p> <p>By when: March 2018</p>	<p>Strategic Director of Finance and Governance</p>	<p>COMPLETED</p>

Issue	Responsible Officer	Action Plan	Progress To date
<p>BT Managed Services Contract Delivery</p> <p>The Managed Services Framework Agreement was procured by Westminster City Council in 2013 to provide transactional Human Resources, including payroll, finance services and a Shared Service help desk for the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and the City of Westminster Councils, each under their own contract. The programme overran its original delivery date of 1 April 2014 but commenced provision of a limited number of activities in April 2015. Since this point BT have continued to deliver some staged improvements to their solution, however they are yet to deliver to the required contracted standard. It is therefore the focus to ensure that BT deliver an acceptable level of service to enable finance, HR and payroll to function effectively.</p> <p>Officers and members from the Council have held regular meetings with BT to review plans to improve performance, including making sure measures were taken to ensure internal controls operated.</p> <p>Work is on-going with BT to address the issues raised in this statement and additional resources are being applied by the Council to resolve the issues as soon as possible.</p>	<p>Director of Corporate Services</p>	<p>This progress report deals with the resolution of the challenges that have arisen with respect to the delivery of the Managed Services Programme since go-live on 1st April 2015. The decision to go live with the system was taken in the knowledge that the SERCO contract with Westminster could not be extended and there was no resource available to update the H&F and RBKC systems such that they could be relied on after March 2015. It was recognised that this was not an ideal position and it has given rise to significant problems. A programme stabilisation plan has been created around the workstreams and the programme governance arrangements that existed before go live including risks and issues management and stage gate reviews. Programme reporting and programme assurance have been strengthened. A summary of the deliverables for each workstream is given below is given below.</p> <ol style="list-style-type: none"> 1. Finance – this workstream is tasked with ensuring that the all finance processes and core data are fully operational and stable (Purchase to Pay; Record to Report, Order to Cash, Fixed Assets, Income Manager, Access and Authorisations, Planning and Forecasting). 2. Organisation structure – a corrected organisation structure supported by appropriate online forms, standard operating procedures and establishment reporting. 3. Human Resources – This workstream is tasked with the delivery of stable HR processes, the resolution of system configuration issues and enabling reporting and alerts. 4. Payroll – Key deliverables for this workstream are stabilisation of pay impacting incidents, improving self-service accuracy, rationalisation of payroll codes, resolution of pension issues and 3rd party pension provider access, enabling effective reporting for both councils and schools, resolving payroll deductions and overpayments and complete payroll reconciliation. 5. Organisation readiness – this workstream is responsible for the analysis of training needs, the delivery of training programmes, e-learning and reference materials and supporting the transition of council personnel to self-sufficiency, including communication of progress to all staff. 6. Schools and academies – delivering self-service access to Agresso for key personnel in schools, providing accurate and stable payroll processes, ensuring effective management of starters and leavers and providing accurate and timely reports and management information. 7. Service management and governance – this workstream is responsible for the management of the contract and implementation of all contractual service management deliverables, reporting and management information, oversight of the BT Shared Service Centre improvement and incident recovery plan and on-going quality assurance and performance monitoring as well as supporting the transition to business as usual and putting in place the Intelligent Client Function 8. Solution and environment assurance – this workstream is focussed on ensuring effective environment, system and data control, confirmation that what has been delivered is what was specified, reconciliation and integrity assurance, improving system performance, documentation and the simplification of the access and authorisations model. 9. Interfaces – is tasked with developing and implementing mechanisms to send and receive data files from source systems to target systems (so that key council service areas can exchange data with Agresso), including the creation of translation tables, transformation rules and secure transport protocols. 	<p>Subject to the exit plan for BT and implementation of an alternative system.</p>