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|  | <p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">(AUDIT, PENSIONS AND STANDARDS COMMITTEE)</p> <p style="text-align: center;">15 June 2016</p> |
| <p>TITLE OF REPORT</p> | |
| <p>Internal Audit Quarterly report for the period 1 January to 31 March 2016</p> | |
| <p>Open Report</p> | |
| <p>For Information</p> | |
| <p>Key Decision: No</p> | |
| <p>Wards Affected: None</p> | |
| <p>Accountable Director: Moyra McGarvey – Director for Audit, Fraud, Risk and Insurance</p> | |
| <p>Report Author: Geoff Drake – Senior Audit Manager</p> | <p>Contact Details: Tel: 0208 753 2529 E-mail: geoff.drake@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 2016 as well as reporting on the performance of the Internal Audit service.

2. RECOMMENDATIONS

- 2.1. To note the contents of this report

3. REASONS FOR DECISION

- 3.1. Not applicable. No decision required.

4. INTRODUCTION AND BACKGROUND

- 4.1. This report summarises internal audit activity in respect of audit reports issued during the period 1 January to 31 March 2016.

5. PROPOSAL AND ISSUES

5.1. Internal Audit Coverage

5.1.1. 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.

5.1.2. A total of 17 audit reports were finalised in the fourth quarter of 2015/2016 from 1 January 2016 to 31 March 2016. This includes 2 shared services audits. In addition, one follow up report, and one management letter were issued.

5.1.3. A summary of each of the limited and nil assurance reports is provided at Appendix D. Four limited assurance reports were issued in this period:

5.1.3.1. The review of Garages identified 1 high, 9 medium and 2 low priority recommendations. 9 of the 12 recommendations have passed their due date for implementation and all have been confirmed as implemented.

5.1.3.2. The review of Managed Services Programme Implementation Planning identified 5 high, and 4 medium priority recommendations. As implementation had largely been completed at the time the final report was issued, findings have been raised in this report for information only in order to highlight where controls over implementation planning could have been improved, and to provide recommendations as to areas where different approaches could be taken in undertaking similar programmes in future.

5.1.3.3. The Managed Services High Level Review of New Systems and Processes identified 4 high, 3 medium and 1 low priority recommendations. All of the recommendation due at the time of writing have been reported as implemented.

- 5.1.3.4. The review of Section 75 Agreements - Mental Health identified 3 high, and 2 medium priority recommendations. All five recommendations were due for implementation at the time of writing. All had been confirmed as in progress but not yet fully implemented.
- 5.1.4. One nil assurance report was issued in this period. The review of Brackenbury Primary School identified 4 high, 12 medium and 2 low priority recommendations. Five recommendations were due for implementation at the time of writing but none have been confirmed as implemented. A follow up visit has been scheduled in quarter 1 of 2016/17.
- 5.1.5. One management letter was issued in the period on Retention of IT Contract Documentation. 2 recommendations were raised, 1 high priority and 1 medium priority.
- 5.1.6. One follow up was undertaken in the period on ASC Risk Management. 4 of the 7 recommendations had been fully implemented, 2 had been partly implemented, and 1 not implemented. The results of our follow up can be found in Appendix A.
- 5.1.7. The Internal Audit department works with key departmental contacts to monitor the number of outstanding draft reports and the implementation of agreed recommendations.
- 5.1.8. 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.
- 5.1.9. There are now 25 audit recommendations where the target date for the implementation of the recommendation has passed and they have either not been fully implemented or the auditee has not provided any information on their progress in implementing the recommendation. This compares to 11 outstanding as reported at the end of the previous quarter and represents a deterioration in the position. We continue to work with departments and HFBP to reduce the number of outstanding issues.
- 5.1.10. The breakdown of the 25 outstanding recommendations between departments are as follows:
- Adult Social Care - 4
 - Children's Services (Non Schools) – 6
 - Schools - 3
 - Corporate Services – 7
 - Transport and Technical Services - 5

5.1.11. Six 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 and to that end will be arranging meetings with the relevant departmental managers responsible for all recommendations overdue by more than 3 months as and when this occurs.

5.1.12. 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 | <i>Number of recommendations implemented</i> |
|---------|-------------------------------|--|
| 2013/14 | 248 | 247 |
| 2014/15 | 202 | 194 |
| 2015/16 | 99 | 83 |

5.2. Internal Audit Service

5.2.1. Part of the CIA'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 are provided for quarter 4 of the 2015/16 financial year.

Performance Indicators 2015/16

| Ref | Performance Indicator | Target | Pro rata target | At year end | Variance | Comments |
|-----|---|--------|-----------------|-------------|----------|--|
| 1 | % of deliverables completed | 95% | 95% | 93% | -2% | 67 deliverables issued out of a total plan of 72 (excluding exceptions) |
| 2 | % of planned audit days delivered | 95% | 95% | 96% | +1% | 795 days delivered out of a total plan of 826 days |
| 3 | % of audit briefs issued no less than 10 working days before the start of the audit | 95% | 95% | 98% | +3% | 41 out of 43 briefs issued more than ten working days before the start of the audit. |
| 4 | % of Draft reports issued within 10 working days of exit meeting | 95% | 95% | 81% | -14% | 42 out of 52 draft reports issued within 10 working days of exit meeting. Average time to issue draft report was 6 days. |
| 5 | % of Final reports issued within 5 working days of the management responses | 95% | 95% | 100% | +5% | 32 out of 32 final reports issued within 5 working days. |

5.3. Audit Planning

5.3.1. Amendments to the 2015/16 year Internal Audit plan are shown at Appendix C.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. Not applicable

7. CONSULTATION

7.1. Not applicable

8. EQUALITY IMPLICATIONS

8.1. Not applicable

9. LEGAL IMPLICATIONS

9.1. Not applicable

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. Not applicable

11. RISK MANAGEMENT

11.1. Not applicable

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable

**LOCAL GOVERNMENT ACT 2000-
LIST OF 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 from October 2004 to date | Geoff Drake Ext. 2529 | Corporate Services, Internal Audit Town Hall King Street Hammersmith W6 9JU |

LIST OF APPENDICES:

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|------------|---|
| Appendix A | Audit reports issued 1 January to 31 March 2016 |
| Appendix B | Summary of Outstanding Audit Reports |
| Appendix C | Amendments to 2015/16 audit plan |
| Appendix D | Summary of Limited Assurance Reports |
| Appendix E | Outstanding Recommendations |

APPENDIX A

Audit reports Issued 1 January to 31 March 2016

We have finalised a total of 17 audit reports for the period of 1 January to 31 March 2016. This includes 2 Shared Services audits. 1 follow up was completed in the period and 1 management letter was issued.

Audit Reports

We categorise our opinions according to our assessment of the controls in place and the level of compliance with these controls.

Audit Reports finalised in the period:

| No. | Audit Plan | Audit Title | Director | Audit Assurance |
|-----|------------|--|------------------|-----------------|
| 1 | 2015/16 | Garages | Kathleen Corbett | Limited |
| 2 | 2015/16 | Askham Contact Centre | Steve Miley | Satisfactory |
| 3 | 2015/16 | MSP Implementation Planning | Maria Benbow | Limited |
| 4 | 2015/16 | Section 75 Agreements – Mental Health | Stella Baillie | Limited |
| 5 | 2015/16 | Section 75 Agreements - CCGs | Rachel Wigley | Satisfactory |
| 6 | 2015/16 | IDOX Document Management System (DMS) | Mahmood Siddiqi | Satisfactory |
| 7 | 2015/16 | Brackenbury Primary School | Andrew Christie | Nil |
| 8 | 2015/16 | Housing Strategy | Mike England | Satisfactory |
| 9 | 2015/16 | St Stephen's Primary School | Andrew Christie | Satisfactory |
| 10 | 2015/16 | Concessionary Fares | Hitesh Jolapara | Satisfactory |
| 11 | 2015/16 | Avonmore Primary School | Andrew Christie | Satisfactory |
| 12 | 2015/16 | Customer Journey Programme Management | Rachel Wigley | Substantial |
| 13 | 2015/16 | Community Independence Service – Project Management | Rachel Wigley | Substantial |
| 14 | 2015/16 | HRA Budget Setting and Monitoring | Kathleen Corbett | Satisfactory |
| 15 | 2015/16 | MSP - High Level Review of New Systems and Processes | Maria Benbow | Limited |
| 16 | 2015/16 | Software Licensing (SS) | Ed Garcez | Satisfactory |
| 17 | 2015/16 | Cyber Security (SS) | Ed Garcez | Satisfactory |

* Undertaken as part of the RBKC/WCC internal audit plan

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

Management Letters

| No. | Audit Plan | Audit Title | Director |
|-----|------------|--|-----------|
| 18 | 2015/16 | Retention of IT Contract Documentation | Ed Garcez |

Follow ups

| No. | Audit Plan | Audit Title | Total | Implemented | Partly Implemented | Not Implemented |
|-----|------------|---------------------|-------|-------------|--------------------|-----------------|
| 19 | 2015/16 | ASC Risk Management | 7 | 4 | 2 | 1 |

Internal Audit reports in issue more than two weeks as at 31 March 2015

There are no outstanding reports at the time of writing.

Amendments to 2015/16 Audit Plan

| | Department | Audit Name | Nature of Amendment | Reason for amendment |
|---|-------------------|-------------------------------|----------------------------|------------------------------|
| 1 | Corporate | Trading Accounts | Added | Adding following request |
| 2 | Corporate | MTFS Savings | Added | Added from contingency |
| 3 | Housing Services | Homelessness | Added | Brought Forward from 2016/17 |
| 4 | Corporate | Managed Services – Interfaces | Added | Added from contingency |

Summary of Limited Assurance Reports

| Ref | Audit and Scope | Details | Assurance Risk / |
|-----|--|--|------------------|
| 1 | <p>Garages</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, Procedures and Fee Setting • Applications and Allocations of Garages Procurement • Identification of Non-Compliance with License Conditions Income • Maintenance and Repairs • Void Clearance • Income Collection • Debt Recovery, Monitoring and Repossession • Management Information | <p>There are approximately 1,200 garages managed by the Housing and Regeneration Department. Most garages are situated on estates with the remainder on streets and small blocks. Residents of estates have priority for garages and where demand is high the Council maintains a waiting list. However, any empty garage is available to rent to any resident in the Borough.</p> <p>One High priority, Nine Medium priority, and Two Low priority recommendations have been made. The key recommendations were as follows:</p> <ul style="list-style-type: none"> • An accurate income interface between iWorld and Agresso should be implemented to ensure all payments and arrears are correctly recorded. • The following documentation should be retained on file when a license is issued: Proof the tenant is the registered keeper of the vehicle which will be kept in the garage. i.e. vehicle registration document; a copy of the insurance certificate, and proof of ID. • A detailed programme of garage maintenance works should be formulated. • A periodic check of suspense account items and activity should be undertaken by a second more senior officer. • The draft re-charging policy should be approved and implemented to allow the garages team to charge former tenants a clearance charge if they have not cleared the garage to a suitable standard. • Aged debt reports should be produced to help prioritise the debt recovery process. • Budget monitoring responsibilities should be formally delegated to ensure periodic monitoring is undertaken and evidence of this is readily available. Consideration should be given to whether the Garages team should monitor income from garages. • Garage estates should be periodically assessed to make sure that the sites are being put to best use (for example, that empty or unpopular sites are considered for alternative use). <p>All recommendations were agreed by management for implementation by June 2016. At the time of the report being issued (January 2016) a review of Garages was in progress.</p> | Limited |

| Ref | Audit and Scope | Details | Assurance / Risk |
|-----|--|--|------------------|
| 2 | <p>Managed Services Programme – Implementation Planning</p> <p>The audit focussed on the planning and preparations in place running up to the go-live date, including the business transformations required for implementation of Managed Services, the supporting and monitoring functions, the training and support in place for Council staff both pre- and post-implementation, and the plans for post go-live stages of the implementation such as service retirement and further upgrades.</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"> • Strategy and Plans • Service and Business Readiness • Training and Support • Post Go Live | <p>As part of the Shared Services initiative, a programme of managed services has been implemented across the three boroughs – the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea, and Westminster City Council. Managed Services, which are provided by BT, is a critical programme as part of the overall convergence of services across the three Boroughs, in order to realise the efficiency and cost benefits of pooling the Council's services.</p> <p>This internal audit started on 1st March 2015, in preparation for the system 'go live'. The audit was originally intended to be completed earlier in the year; however, completion of the audit was delayed in order to provide project staff with additional time to provide the documentation requested. This was required due to ongoing delays, issues, and staffing pressures being experienced around the implementation of the programme. The volume of documentation received, the lack of guidance available (due to programme staffing pressures and changes in key personnel) and delays in receiving some of the information requested also delayed completion of the fieldwork.</p> <p>Five High priority and Four Medium priority recommendations have been made as follows:</p> <ul style="list-style-type: none"> • All implementation planning documentation should be completed and in place prior to the start of the transition period, in order to provide staff involved in the programme with necessary timeframes, operational plans and other information required to complete the transition process. • The predicted durations of the tasks identified as necessary to complete the programme plan, and the resources necessary to complete the tasks, should be based upon documented evidence and rationales should be recorded for future reference. Consideration should be added to including an element of contingency time where an accurate estimate of timescales and resource requirements cannot be determined in advance. • A sufficiently detailed fallback or contingency plan should be created for future programmes, which details the arrangements, plans, costs, resources and other implications to be realised in the event that the systems are not able to go live as per the agreed dates. • Risks should be recorded fully to ensure that the implications of the risks identified are understood, have been accurately assessed and accountability assigned. • The role of Programme Assurance Manager should be assigned to a dedicated officer with no responsibility or remit for the delivery of the programme or any aspects of workstreams other than Programme Assurance, in order to prevent conflicts of interest arising and to dedicate resources to assurance work. • The go/no-go checklist should be agreed and finalised before the Programme has entered the | Limited |

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| | | <p>Transition phase.</p> <ul style="list-style-type: none"> • Reports should be developed to identify from the training records maintained which officers have not received training, in order to target them for contact to determine their training needs and their familiarity with the system. • User activity monitoring processes and the reporting lines should be identified and plans developed as part of the implementation planning. • A decommissioning plan should be completed and documented, which sets out how and when the existing systems are to be removed from service. <p>As implementation has largely been completed and the management response to the report was delayed until the new Assurance Manager was in post, findings were raised in this report for information only in order to highlight where controls over implementation planning could have been improved, and to provide recommendations as to areas where different approaches could be taken in undertaking similar programmes in future.</p> | |
|--|--|---|--|

| Ref | Audit and Scope | Details | Assurance / Risk |
|-----|--|--|------------------|
| 3 | <p>Managed Services Programme – High Level Review of New Systems and Processes</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"> • Set up of new users on Agresso • Management of Cost Centres and the Chart of Accounts • Accounting Transactions and Manual Adjustments • Purchase orders, invoices and payments • Raising Invoices and Income Collection • Credit Notes and Refunds • Debt Recovery and Write Off • Set up of new starters • Amendment of HR and payroll data • Leavers • Overtime, Expenses and Additional Payments • Budget Management • Bank and Cash Reconciliations | <p>The Managed Service has been designed to standardise operations and reduce costs, and provide a standard system irrespective of the Council or the service provided. This audit was undertaken as a high-level review of the new systems and processes that were introduced as a result of the implementation of the new financial and human resources system.</p> <p>The system chosen was Agresso Business World (ABW), which provides common transactional HR, Finance and Procurement services. As a Managed Service, the provider, BT, is responsible for managing and maintaining the system and related services, including the Finance, HR, and Payroll functions. Responsibility is shared between the three Councils and BT for different stages and areas of the new systems and processes in place, and this audit has covered both those controls which are operated by staff employed by the Shared Services and, as far as possible, those which are the responsibility of BT.</p> <p>Four High priority, Three Medium priority, and One Low priority recommendations have been made. The key recommendations are as follows:</p> <ul style="list-style-type: none"> • The authorisation process for adding or amending access and authorisations should be formalised and built into the workflow on ABW or processed through ServiceNow. Monitoring procedures to ensure only valid changes are made to access and authorisations should also be developed. • A report should be created to identify where roles are allocated directly to resources, in order to confirm that inappropriate access rights have not been granted. • System controls to ensure that imbalanced and cross-entity journals cannot be entered, submitted or approved should be implemented. • The process for requesting, approving changes to supplier details should be formalised and built into the workflow on ABW. • A detailed plan should be developed showing which amendment tables should be activated for the purposes of logging amendments to the database records in the Agresso Business World system. • The suite of exception and monitoring reports should be developed and run and monitored on a periodic basis. <p>Recommendations were accepted by management, and are due for implementation by July 2016.</p> | Limited |

| Ref | Audit and Scope | Details | Assurance / Risk |
|-----|---|--|------------------|
| 4 | <p>Section 75 Agreements - Mental Health</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"> • Section 75 Agreement and Governance • Expenditure • Budget Monitoring • Performance Management | <p>Section 75 of the National Health Service Act 2006 (formerly Section 31 of the Health Act 1999) and the Regulations provide powers for local authorities and NHS bodies to set up joint working arrangements. Partners enter into an agreement in exercise of the powers in Section 75 of the Act and the Regulations in order to establish a framework for the delegation of management responsibility of the services to be provided to eligible people within the Council's administrative area in accordance with the terms of the agreement. The NHS Trust acts as the Host Partner in accordance with the Regulations.</p> <p>Section 75 agreements for adult mental health services have been made between LBHF and West London Mental Health NHS Trust.</p> <p>Three High priority, and Two Medium priority recommendations have been made. The key recommendations are as follows:</p> <ul style="list-style-type: none"> • LBHF and WLMHT should ensure the Section 75 agreement is finalised and signed. Appropriate legal consultation should be made in consideration practical ways of facilitating the finalisation and signing of the agreement. • LBHF and WLMHT should ensure that Section 75 Partnership Board meetings are held on a quarterly basis as indicated in the draft Section 75 agreement. LBHF and WLMHT should also ensure that the necessary financial information is reported at those meetings. • LBHF, RBKC, WCC and their NHS Trust partners should ensure that final budgets are confirmed by the Section 75 Partnership Boards before the start of the new Financial Year to which they relate (by 28 February in the case of RBKC and WCC) and are included in a Revised Annual Finance Agreement in the form as described in Schedule 5 of the Section 75 agreements. • Each borough should ensure that comprehensive and accurate budget versus actual expenditure reports are reported at each Partnership Board meeting. • LBHF, RBKC, WCC and their NHS Trust partners should ensure that all performance indicators are reported on at Partnership Board meetings. <p>Recommendations were accepted by management, and are due for implementation by March 2016.</p> | Limited |

| Ref | Audit and Scope | Details | Assurance / Risk |
|-----|---|--|------------------|
| 5 | <p>Brackenbury Primary School</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"> • Governance and Leadership • Financial Management • Procurement • Staff Expenses & Petty Cash • Income • Payroll • Head Teachers Pay • Assets & Inventory • Leasing • Unofficial Funds | <p>The London Borough of Hammersmith and Fulham's standard schools audits are carried out using an established probity audit programme. Audits are currently undertaken 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.</p> <p>4 High priority, 12 Medium priority, and 2 Low priority recommendations have been made. The key recommendations were as follows:</p> <ul style="list-style-type: none"> • The following policies and documents should be subject to review and approval by full the Governing Body on an annual basis: School Finance Policy; Staffing structure; and Pay Policy. • The School Financial Value Standard (SFVS) self-assessment should be reassessed in light of the audit findings and, where appropriate, appropriate remedial action taken. • Where costs relating to transactions can be identified in advance, a purchase order should be raised and authorised prior to placing the order with the supplier. • Deliveries of goods and services should be checked against the invoice and original order, and evidenced as such by the officer checking the quality and quantity of the goods/services, before any invoice is paid. Where possible, the officer checking the goods/services received should be independent of the person responsible for the administration of orders and payments. • To demonstrate segregation of duties, more than one person should evidence being involved in placing orders, goods receipting and authorising invoices. • Quotations and Tenders should be obtained and retained for all high value purchases in accordance with the requirements of the School's Finance Policy. • The School should obtain copies of all contracts entered into by the School. • Before paying invoices to self-employed individuals, the School should confirm the employment status of the person by completing a tax questionnaire. If there is any doubt, the person should be paid through the payroll. • The School should not accept personal expense reclaims for staff members who are not employees of the School. • The School should ensure that petty cash (as well as other School funds) are used for educational purposes and the benefit of pupils. • The School should ensure that adequate records are maintained for all income collected showing a clear trail between cash collection and banking. The School's income records should be independently checked by a more senior officer on a regular basis prior to banking. • The School should formulate an action plan regarding collection of the School meal income | Nil |

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| | | <p>arrears in order to reduce the level of arrears. Performance against this plan should be monitored to gain assurance that the level of arrears is reducing.</p> <ul style="list-style-type: none"> • The School should ensure the leases are approved by the Governing Body or other delegated Committee where appropriate. • The School should include and maintain all relevant details of assets held at the School including serial numbers, actual or estimated values of the assets, on loan/disposed of items and date of acquisition of items where appropriate on the asset register. The School should update the asset register to ensure all items can be uniquely identified, and that the correct printer names and locations are stated on the register. <p>Recommendations were accepted by management, and are due for implementation by April 2016. A further audit is being scheduled for the 2016/17 financial year.</p> | |
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APPENDIX E

Summary of Outstanding Recommendations

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 | Audit year | Department | Audit Name | Assurance | Recommendation | Priority (1/2/3) | Agreed Target Date | Responsible Director | Status |
|-----|------------|-------------------|------------|--------------|--|------------------|--------------------|--|--|
| 1 | 2013/14 | Adult Social Care | Home Care | Satisfactory | <p>Initial reviews should take place within six weeks of the care first being provided and annual reviews should be undertaken thereafter.</p> <p>Management should identify the reasons for not undertaking the initial reviews promptly and take corrective action where necessary. Where reviews cannot be undertaken at the required time as this is not convenient for the service user, this should be documented.</p> | 1 | 01/07/2015 | Stella Baillie, Director of Integrated Care | <p>Implementation is ongoing and will be completed shortly.</p> <p>Moving forward, the current reorganisation will involve a separate reviewing team within the complex team. Whilst it remains the case that everyone should have an annual statutory review we are reviewing the type and frequency of reviews - and that this should be based on assessed risk factors. It will also enable reviews to be paced throughout 12 months rather than being bunched in the final quarter of the year. We are also reviewing the Fwi pathway and the amount of documentation that needs to be completed for reviews – and that this should only be proportional. We are aiming to change practice via Innovation Sites that practice “meaningful conversations”, really putting the</p> |

| Ref | Audit year | Department | Audit Name | Assurance | Recommendation | Priority (1/2/3) | Agreed Target Date | Responsible Director | Status |
|-----|------------|-------------------|---------------------------------------|-----------|--|------------------|--------------------|--|---|
| | | | | | | | | | customer at the centre of what we do . This also will have implications for the documentation we use. |
| 2 | 2015/16 | Adult Social Care | Section 75 Agreements - Mental Health | Limited | <p>LBHF and WLMHT should ensure the Section 75 agreement is finalised and signed.</p> <p>If necessary, the partners should consider practical ways of facilitating the finalisation and signing of the agreement. For example, certain schedules and appendices that contain detail that is likely to change over the life of the agreement could be included in a separate document that is reviewed and agreed annually by the partners. Such schedules and appendices could include: Schedule 1, Appendix 1 Performance indicators; Schedule 4, section 1 Partnership Staffing; Schedule 4, Appendix 1 Service Line Management Structure; and Schedule 5, Appendix 1 Staff Pay Budgets.</p> <p>The benefit of a Section 75 agreement written in this way is that it is less likely to quickly become out of date due to structural, financial and programmatic changes.</p> <p>Appropriate legal consultation should be made in consideration practical ways of facilitating the finalisation and signing of the agreement.</p> | 1 | 31/03/2016 | Stella Baillie, Director of Integrated Care | <p>Implementation is ongoing and will be completed shortly.</p> <p>The plan is to refresh all three section 75 agreements taking Audit's advice to develop it in such a way that the schedules can be updated on an annual basis.</p> <p>Evidence to be sent.</p> |

| Ref | Audit year | Department | Audit Name | Assurance | Recommendation | Priority (1/2/3) | Agreed Target Date | Responsible Director | Status |
|-----|------------|-------------------|---------------------------------------|-----------|--|------------------|--------------------|--|--|
| 3 | 2015/16 | Adult Social Care | Section 75 Agreements - Mental Health | Limited | LBHF, RBKC, WCC and their NHS Trust partners should ensure that final budgets are confirmed by the Section 75 Partnership Boards before the start of the new Financial Year to which they relate (by 28 February in the case of RBKC and WCC) and are included in a Revised Annual Finance Agreement in the form as described in Schedule 5 of the Section 75 agreements. | 1 | 31/03/2016 | Stella Baillie, Director of Integrated Care | Implementation is ongoing and will be completed shortly. This is being agreed at sub-group meetings for all three boroughs in May 2016. Evidence to be sent once agreed. |
| 4 | 2015/16 | Adult Social Care | Section 75 Agreements - Mental Health | Limited | <p>LBHF, RBKC, WCC and their NHS Trust partners should ensure that all performance indicators are reported on at Partnership Board meetings.</p> <p>LBHF, RBKC, WCC and their NHS Trust partners may wish to consider whether it would be appropriate to rationalise the number of performance indicators that stipulated in the Section 75 agreements for monitoring by the Partnership Board. Any change should be formally agreed.</p> <p>In the case of LBHF and WLMHT, the performance reports presented at Partnership Board meetings should include an analysis and explanation of the variances against performance targets.</p> | 2 | 31/03/2016 | Stella Baillie, Director of Integrated Care | <p>Both the Trust's and the LA have reviewed the KPIs in the S75 agreements with a view to update them. The revised measures will be formally presented and agreed at the next S75 meeting (June 2016) and then appended to the S75 agreement. All KPI monitoring from that point forward will be on the revised set.</p> <p>Evidence of the above will be available after the Q1 meetings have taken place. Outstanding - should be completed by July 2016.</p> |

| Ref | Audit year | Department | Audit Name | Assurance | Recommendation | Priority (1/2/3) | Agreed Target Date | Responsible Director | Status |
|-----|------------|---------------------|------------------------|--------------|---|------------------|--------------------|---|--|
| 5 | 2014/15 | Children's Services | 3BM Service Management | Satisfactory | <p>An exit strategy should be developed to, ensure continuity of service in the event of the contractual relationship ending. This should include consideration of:</p> <ul style="list-style-type: none"> • Continuing Service Requirements; • Data Security and Privacy; • Knowledge and Documentation Transfer; • Costs; and • People <p>In addition, business continuity arrangements in the event of supplier failure should be defined.</p> | 2 | 31/03/2016 | Dave McNamara, Director for Finance and Resources (CHS) | The recommendation is a standard approach for the development of an exit strategy. The services that 3BM provide are strategic support to the council, project management of commissioned projects and estate management. There are specific responses to these but not consolidated into a strategy. The contract will be subject of an extension during 201/17 and these issues will be addressed then |
| 6 | 2014/15 | Children's Services | 3BM Service Management | Satisfactory | <p>Monitoring of contract performance should be undertaken on a monthly or quarterly basis. This should include monitoring against the table of performance standards and deductions within the contract. An annual review meeting should be held in order to discuss the contract, past performance, achievements and issues, and future priorities, objectives and challenges. Where requirements are not being met, an action plan should be put in place and monitored against. Deductions should be made from the contract payment where required.</p> <p>The Council should seek independent validation of the performance information and key contractual requirements provided. A further recommendation has been included in relation to the holding regular Partnership Board meetings.</p> | 2 | 31/03/2016 | Dave McNamara, Director for Finance and Resources (CHS) | Monitoring meetings will be amended as requested to included performance against standards but will need to retain focus on critical business activities. Partnership Board has been reinstated. |

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| 7 | 2014/15 | Children's Services | 3BM Service Management | Satisfactory | Scheduled repayments, including any interest payments should be monitored and recorded as and when received. 3BM should be advised that schools should not be invoiced in advance of services being provided. Where this is necessary, it should be kept to a minimum (such as monthly in advance). | 2 | 31/03/2016 | Dave McNamara, Director for Finance and Resources (CHS) | Repayments are to be monitored. However it is not agreed that 3BM should change their business model that was agreed with schools at the outset. As a fledgling organisation, 3BM do not have the resources to finance their expenditure without payments in advance. This was acknowledged when the Councils supported the establishment of the social enterprise |
| 8 | 2014/15 | Children's Services | 3BM Service Management | Satisfactory | Partnership Board meetings should be held on at least a quarterly basis as per the terms of reference in place. A Red/Amber/Green dashboard report of performance against the agreed standards should be presented to each meeting for discussion as agreed at the January 2014 meeting. Alternatively, the Terms of Reference in place for the Partnership Board should be updated to state that meetings should be held less frequently, with additional meetings convened as necessary. | 2 | 31/03/2016 | Dave McNamara, Director for Finance and Resources (CHS) | No update received. |

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| 9 | 2014/15 | Children's Services | Framework Application (Children's) | Satisfactory | The Council should work with all relevant partners to agree and implement an appropriate Disaster Recovery Test plan, with all lessons learned being communicated and updated into the plans. | 2 | 31/01/2016 | Dave McNamara, Director for Finance and Resources (CHS) | We had scheduled a DR Test with Corelogic in August 2015 but due to connectivity issues this had to be abandoned. The person dealing with this left soon after and we are waiting for a date when we can reschedule. They have recently appointed a new Infrastructure Manager and hope to reschedule later this month. Once we have a successful test, we will schedule this in annually. |
| 10 | 2015/16 | Children's Services | All Saints CE Primary School | Satisfactory | The School Development Plan and Staffing Structure should be subject to review and approval by the Governing Body on an annual basis. | 2 | 31/12/2015 | Dave McNamara, Director for Finance and Resources (CHS) | No update received. |
| 11 | 2015/16 | Children's Services | All Saints CE Primary School | Satisfactory | The Governing Body should discuss the options available to the School before entering contracts. The School should obtain quotes and tenders as per the Schools financial policy before entering a contract with a supplier or document the justification for not doing so. | 2 | 31/12/2015 | Dave McNamara, Director for Finance and Resources (CHS) | No update received. |
| 12 | 2015/16 | Children's Services | Askham Contact Centre | Satisfactory | Management should investigate if any interim income monitoring measures can be sourced to provide some assurance over the current income due and paid. | 2 | 31/03/2016 | Steve Miley, Director of Family Services | No update received. |

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| 13 | 2015/16 | Children's Services | Avonmore Primary School | Satisfactory | The School should include and maintain all relevant details of assets held at the School including serial numbers, actual or estimated values of the assets, on loan/disposed of items and date of acquisition of items where appropriate on the asset register. | 2 | 31/01/2016 | Dave McNamara, Director for Finance and Resources (CHS) | No update received. |
| 14 | 2014/15 | Corporate Services | Mobile Device Security | Satisfactory | Management should draft, agree and communicate a specific IT security policy that covers mobile device usage for Tri-Borough work. All users using mobile devices, whether issued by the Tri-Borough or not, should be required to formally sign off their acceptance of relevant policies before being issued with a Tri-Borough issued mobile device or before having their own device configured for Tri-Borough use. The development of relevant policies should also be supported by appropriate user training. | 2 | 30/04/2015 | Ed Garcez, Chief Information Officer | <p>The IM team are working alongside the Mobile Working project team in order to assist in the drafting of guidance and policies. It is expected that the guidance will be complete, and the policies signed off</p> <p>It should be noted that:</p> <ul style="list-style-type: none"> • all three councils ask staff to sign up to a personal commitment statement or information security policy, the principles of which need to be carried through to the guidance drafted for specific projects. • Phase 2 of the Learning and Development training programme is currently taking place, with mandatory e-learning for all staff on information security and data protection to be completed and rolled out across the three boroughs by October 2016. • a new Information Security Policy framework with codes of |

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| | | | | | | | | | practice on information handling and security classification is planned to be authorised by chief officers in June and July 2016. |
| 15 | 2014/15 | Corporate Services | Tri borough Cloud Computing | Satisfactory | The Tri-Borough should ensure continuous compliance of their vendors and Cloud Service Providers with applicable regulations such as: PCI DSS, ISO 27001, EU Data Protection Regulations, Cloud Security Alliance Control Matrix, ISAE 3402, SSAE 16, and SAS 70 Type II. | 2 | 31/03/2015 | Ed Garcez, Chief Information Officer | 19/04/2016 – update from Head of IM: The completion of privacy impact assessments (PIA) for all new/renewed contracts with vendors. The PIA and accompanying process was due for review in June 2015 but was not completed due to the relevant project officer leaving the organisation(s). As this task is outstanding and aligns with the performance monitoring recommendation, I have added the PIA review and overhaul into the remit of the new temporary IG manager which will now include a process to monitor a vendor's compliance with applicable information and ICT regulations. This task will need to be completed in partnership with the corporate procurement teams across the three councils and the Procurement and Risk Advisory Group (PRAG). Deadline for renewed PIA and procedure proposal: 30 October |

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| | | | | | | | | | <p>2016, implementation 31 December 2016.</p> <p>Update 27/5/2016 - Contractor performance is regulated at least in part, through the contract and performance management element of capitalEsourcing. As part of the Invitation to Tender and then through to award and periodic monitoring of contract, contract managers are obliged and responsible for ensuring the service is delivered according to specification. The capitalEsourcing system allows for Performance Milestones to be set up therefore it may only be a case of setting up appropriate Contract Managers with the right Performance Milestones, including for Cloud computing, where Audit have recommended so that regular PCI DSS, ISO 27001, EU Data Protection Regulations, Cloud Security Alliance Control Matrix, ISAE 3402, SSAE 16, and SAS 70 Type II are all periodically checked as part of standard capitalEsourcing contract management. Procurement are happy with this approach and are</p> |

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| | | | | | | | | | <p>assisting in setting it up.</p> <p>In addition, the regular reporting on performance and security incidents across the three councils is being aligned. shared ICT are in the process of recruiting a temporary Information Governance (IG) Manager to coordinate and implement an IG performance monitoring procedure. The procedure take the form of a quarterly report that will be taken to Bi-Borough Corporate Services and H&F Business Board to enable service areas to extract to address weaknesses in compliance. Deadline for first report and procedure implementation: September 2016</p> |

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| 16 | 2015/16 | Corporate Services | Corporate Procurement | Satisfactory | <p>The Commercial Director, once appointed, should:</p> <ol style="list-style-type: none"> 1. Ensure a new corporate procurement strategy is developed in order to provide clarity regarding the future direction of LBHF Corporate Procurement. 2. Decide on the structure of the LBHF procurement function and approach to procurement that will be used. 3. Work with WCC and RBKC to review and update as necessary the existing shared-service procurement policies, procedures, and oversight arrangements in order to ensure they are efficient and effective. 4. Consider whether a procurement skills training programme would be appropriate for LBHF. | 1 | 31/03/2016 | Michael Hainge, Commercial Director | <p>1. Draft strategy has been written and is being considered by the Cabinet Member. 2. Contract management has been identified as a weakness and the link between procurement and contract management needs to be defined and strengthened . A review of the contract management of contracts is underway and the final structure of the new team will be determined once this is complete. 3. Clear political direction has been given that procurement for H&F should stand alone except where shared service arrangements make joint working necessary. Shared services in Adults and Children's have their own procurement resources. 4. Training in commercial and contract management is underway.</p> |

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| 17 | 2015/16 | Corporate Services | Corporate Procurement | Satisfactory | <p>1. The contract management framework should be finalised and rolled out, with accompanying training, in order to ensure a consistent approach to contract management across the Council.</p> <p>2. Compliance monitoring should be undertaken to ensure that this approach is being complied with.</p> <p>3. To reiterate points made at the May 2015 Procurement Board meeting, this framework should:</p> <p>a. Include more guidance on performance management and when contract extensions are permissible;</p> <p>b. Stress the importance of dealing robustly with contract breaches and poor performance by levelling defaults, remedies, and liquidated damages as appropriate; and</p> <p>c. Tie in more closely with the capitalEsourcing system, which should be covered in the guidance.</p> | 2 | 31/01/2016 | Michael Hainge, Commercial Director | <p>1. Contract management training is underway. A review of contract management is underway that will test H&F contract management against international standards. Once complete these standards will be embedded and appropriate governance put in place. 2. see previous reply. 3. a. The new procurement strategy required under Contract Standing Orders addresses this point. b. this point is answered in 1. above. c. Capital e-sourcing is under review and may not be an optimum solution for H&F</p> |

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| 18 | 2015/16 | Corporate Services | IDOX Document Management System (DMS) | Satisfactory | <p>Management should implement the following:</p> <ul style="list-style-type: none"> Investigate the current reporting capabilities within the DMS system for reports to be generated of users on the system, as well as their access roles and the permissions per role; A process to periodically report and review users roles and permissions to ensure that access has been granted on a need basis; and Revoke / remove inadequate permissions, if identified. | 2 | 31/03/2016 | Mahmood Siddiqi, Director for Transport and Highways | No update received. |
| 19 | 2015/16 | Corporate Services | IDOX Document Management System (DMS) | Satisfactory | <p>In line with the Council's security policy, the following logical controls should be implemented in the IDOX Document Management System:</p> <ul style="list-style-type: none"> Password combination of alphabetic and numeric characters including special characters. <ul style="list-style-type: none"> Minimum password length of eight characters. Password violations set to a minimum of three unsuccessful access logon attempts. Passwords are force changed every 30-90 days. Log, report and review access violation attempts. | 2 | 31/03/2016 | Mahmood Siddiqi, Director for Transport and Highways | Access to the Idox dms will be changed to be via the Uniform system which already has single sign on. This is part of an upgrade from v9.1 to v10 of Uniform scheduled for mid-June |

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| 20 | 2015/16 | Corporate Services | IDOX Document Management System (DMS) | Satisfactory | <p>Management should implement the following:</p> <ul style="list-style-type: none"> Formally document the user access management processes for granting and amending access to and for removing access from the IDOX DMS System. Establish a process to periodically report and review user access and if identified, revoke access from leavers on the system. | 2 | 29/02/2016 | Mahmood Siddiqi, Director for Transport and Highways | Access to the Idox dms will be changed to be via the Uniform system which already has single sign on. This is part of an upgrade from v9.1 to v10 of Uniform scheduled for mid-June |
| 21 | 2014/15 | Transport & Technical Services | Organisational Health and Safety | Satisfactory | <p>Service lines should be instructed, via the Corporate Health and Safety Committee to provide a copy of their risk assessments to Corporate Health and Safety so they can be uploaded onto Tri-B Net.</p> <p>These risk assessments should be reviewed and updated on an annual basis. Monitoring of activity should be undertaken by the Corporate Safety Team.</p> | 2 | 30/06/2015 | Nick Austin, Director for Environmental Health | <p>Update 18/2/2016 – Progress has been made. Departmental and team audits have been undertaken. Risk assessments for ELRS, TTS, Libraries and the majority of ASC are now collated centrally. Generic risk assessments for CHS and the remainder of ASC are being prepared and will be sent to managers for sign off. Completion tabled for end of April 2016.</p> <p>A significant number of general risk assessments are still outstanding for Adult Social Care (31/50) and Children's Services (29/37) and therefore this recommendation remains outstanding. Due to the setup of both adult social care and children services, these are tri-borough and there are ongoing organisational changes within the departments.</p> |

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| 22 | 2014/15 | Transport & Technical Services | Rechargeable Street Works | Satisfactory | <p>Performance indicators for the service should be agreed and monitored against. This could include:</p> <ul style="list-style-type: none"> • % of assessments that have been undertaken, within set timeframe, after an application has been received; • % of estimates provided to customer, within set timeframe, after assessment has been completed; • % of proactive Inspections undertaken within timeframe; • % of additional works required as a result of quality inspections; and • % deviation of estimate to actual invoice amount. <p>Results should be reported to Senior Management on a periodic basis.</p> | 2 | 01/06/2015 | Mahmood Siddiqi, Director for Transport and Highways | <p>Prior to Agresso, we had monthly meetings with our Finance and they would prepare the KPIs as they had easy access to information. Since we changed over, I am now responsible for all the financial management and not Finance. Hence they have stopped presenting the KPI information at meetings. However, the change in the system is still in transition. So part of the financial work is still being done by our finance, BT and ourselves This is preventing us from being able to provide the KPIs.</p> <p>There have been several attempts to train us in the rechargeable process. We are now making some progress towards us managing all of the manage all the financial processes. Then we can start to prepare KPIs.</p> |

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| 23 | 2015/16 | Transport & Technical Services | Premises Licensing | Limited | <p>Management should continue with current efforts to work with the Finance and IT functions in order to ensure that:</p> <ul style="list-style-type: none"> • Invoicing of annual fees is conducted following the agreed debt cycle; • New customer accounts are created in Agresso on a timely basis; • Licensing and accounts receivable records are adequately maintained and are duly reconciled; and. • Invoices approved for write off/ cancellation are cancelled in Agresso on a timely basis. <p>The possibility of obtaining the support of a professional with Uniform application expertise should be explored in order to ensure the licence records in Uniform are refreshed to include the Agresso customer numbers.</p> | 1 | 31/03/2016 | Nick Austin, Director for Environmental Health | No update received. |
| 24 | 2015/16 | Transport & Technical Services | Premises Licensing | Limited | <p>Management should ensure that all overdue annual fees for LBHF continue to be investigated and all records in the Uniform database are cleansed.</p> | 1 | 31/03/2016 | Nick Austin | No update received. |
| 25 | 2015/16 | Transport & Technical Services | Premises Licensing | Limited | <p>An interface and reconciliation should be implemented between the Agresso and Uniform systems.</p> <p>This process should be automated to reduce the risk of human error and ongoing resource requirements of a manual reconciliation.</p> | 1 | 31/03/2016 | Nick Austin | No update received. |