Appendix 3C: Audit Opinion and Themes

Assurance

High	Satisfactory	**Partial**	Minimal

Risk Management, Corporate and Service Plan Risk

Objective

To assess whether risks, controls and assurance within risk registers are properly understood and consistently defined in accordance with the Council's Risk Management Strategy and Toolkit.

Themes

Service Risk Register

All of the 2015/16 Head of Service, Service Plans contained risks, which were identified when the Service Plans were produced at the start of the year. However, there was no evidence that these had been updated throughout the year as circumstances changed.

The number of risks identified by services as part of the service planning process varied considerably. This demonstrates the inconsistent approach applied and also the difference in information corporately feeding the Corporate Risk Register from the bottom up.

The approach adopted to capturing risks in these service plans varied in format and content. There are two options within the approved corporate methodology, full or summary. In the latter cases, the format used does not:

- communicate inherent or target risk
- distinguish between the actual and planned controls
- require the service to consider the assurances available to them in monitoring the risk.

There was also no supporting evidence that demonstrated that a full analysis of risk had actually been undertaken and captured or that risks were clearly understood and being appropriately mitigated although this activity had reportedly taken place within the workshops held to develop the service plan.

Although all services areas report to be using Covalent for tracking performance data, as at March 2016, risks have not being consistently updated and monitored in this way. Therefore, the Council does not currently have a consistent, central repository for recording and managing service risks. This has progressed since the audit took place with more use being made of Covalent to track risk actions.

The risk rating at the corporate level should in part, be informed by the experiences within the service areas. Group Managers operationally manage service delivery, yet there is no requirement to have team plans at this level (which would include identification of risk). Therefore, it is unclear how these operational risks are being consistently captured, summarised where necessary, and used to raise concerns (i.e. risks) that require more senior input to mitigate or manage.

Appendix 3C: Audit Opinion and Themes

Assurance

High	Satisfactory	**Partial**	Minimal

Finally, it was difficult to evidence that risks and mitigating actions are being communicated between projects and business as usual activities. This is due to the lack of documented risk information at service level as well as within some of the projects reviewed as part of a separate exercise.

Number of actions agreed: 0

Risk Management, Project Risks

Objective

To assess whether project risks are properly understood and consistently defined in accordance with the Council's Risk Management Strategy and Toolkit.

Themes

The four significant corporate projects reviewed as part of this audit were A Better Start, Airport Business Park, Better Queensway and the Integrated Pioneer Programme.

For cross partner projects, the risk management methodology used was found to be determined by the lead organisation, which is not unreasonable. However, the Council led projects were not using the Council's risk management approach so, for example:

- a different template and matrix of risk ratings were used and there was no distinction between strategic or project / operational risk

- risk ownership was allocated to groups as well as organisations instead of individuals.

Nevertheless, there was evidence of a good level of understanding with regards to the risks the projects were facing.

Whilst the Council's Risk Management Framework requires controls and assurances to be documented, the templates being used did not consistently require this. This makes communication, challenge and escalation of risks is less efficient and effective. Again, conversations with Project Managers provided more assurance regarding levels of understanding. However due to the omissions from the risk registers, it cannot be confirmed that this is shared by all stakeholders involved with the project.

The Council had implemented additional governance around projects by requiring significant ones to report monthly, into Corporate Delivery Board. However, the link into service risk management processes was not as defined or evident from either the review of the risk registers or discussions with officers.

Corporate Delivery Board receives dashboards and individual highlight reports for selected projects, which include their top two risks. However:

Assurance

| High | Satisfactory | **Partial** | Minimal |

- only the Airport Business Park consistently produced the monthly reports

- project leads did present these reports.

Given the breadth of the Corporate Delivery Board's agenda, it would be advantageous to formalise the use of risk in:

- driving the focus of each meeting i.e. prioritise projects reporting high or increased risks

- determining the frequency of formal reports being presented to it.

It is expected that the risks reported to the Corporate Delivery Board within the highlight report can be clearly linked back to the risk management activity within the project and contained in the risk register. However, this was not always the case.

The some risks within the Airport Business Park highlight report were strategic for the partnership and could not be mitigated by Council action alone. Whilst of interest, the focus should be on strategic Council risks that require mitigating action.

The role and objectives of the Corporate Delivery Board were not formally documented; therefore, there may be inconsistency in the understanding of the role and responsibility of this group.

The methodology for including a project or excluding a project from the Corporate Delivery Board agenda was also not documented. However, during 2015/16, there was evidence of projects being removed from and added to the agenda in year. This indicates there was some on-going review of what needs to go to it.

In November 2016, responsibility for the Airport Business Part and Better Queensway was reallocated to the Director of Regeneration and Business Development. Audit reviews of how effectively these projects are being managed, will be completed by March 2017, which will also consider any developments in managing project risks.

Number of actions agreed: 0

Social Care IT Case Management System, Project Implementation Health Check

Objective

To assess whether the project processes for the new integrated Social Care IT Case Management System have been established to:

- support the intended timeframes

- achieve the expected benefits.

This review will also help to develop Internal Audit's approach for providing appropriate assurance over the lifecycle of the project.

Appendix 3C: Audit Opinion and Themes

Assurance

| High | Satisfactory | **Partial** | Minimal |

Themes

Elements of good project planning were in place but there was scope to strengthen the overall process to enable it to drive the implementation of the new case management system by the due date. Management worked closely with Internal Audit during this work so that opportunities to strengthen these arrangements were actioned at the earliest opportunity.

Project planning

A Microsoft project plan had been produced for Phase 1 of the project and included the allocation of resources for all activities. Action was being taken to clarify the requirements and deliverables for Phase 2 of the project so they were transparent. Monthly update reports were provided to the Project Board and were to be amended to include details of actual progress made against the delivery of the project plan.

Further amendments were required to the plan so their impact on the project could be monitored more effectively:

- linking sequenced activities (i.e. dependencies) so that they flowed through the project plan appropriately

- tracking external activities (which are outside the project control, but that have an impact the project) e.g. work being undertaken as part of the Adult Transformation Project.

The project plan and the primary supplier's (LiquidLogic) plan were to be integrated and reconciled regularly to avoid any confusion, delays or additional cost. The sequence of activities (critical path) was then to be determined and activities prioritised to enable the overall project due date to be achieved.

Risks were regularly reviewed prior to Project Board meetings, updates were sent with board papers and they were recorded in a risk register according to a clear scoring matrix. Going forward, they were also to be discussed as core agenda items at Project Board meeting and risk owners were to be named rather than identified as functions.

Project assumptions had been documented in the Project Initiation Document (PID) and these were going to be reviewed and updated if necessary. Both an issues log and a decision log were to be created. The latter to be used to capture any assumptions made and as a management tool which is maintained and updated following Project Board meetings by the project team.

Benefits management

Arrangements were to be put in place to track and then monitor whether the benefits of the project, as described in the Project Initiation Document (PID) and subsequently updated, are actually delivered when the system goes live. Dis-benefits (which is a potential drawback of a benefit) were to be identified and the impact of them, considered.

Appendix 3C: Audit Opinion and Themes

Assurance

High	Satisfactory	**Partial**	Minimal

Testing

Further work was required before the arrangements for testing and migrating data between systems were fit for purpose.

Testing had been broken into appropriate cycles and there was evidence that test scenarios were to be developed with input from the services. Testing for two data migration phases (DM1 and DM2), was included in the project plan and was to be developed for the third and fourth data migration phases (DM3 and DM4). Test scenarios were also required for the user-testing phase.

The roles and responsibilities of the project team and the service areas during data migration were to be defined. It was noted that data should only be migrated once data requirements are agreed by the service areas.

Change management

The project change control process was outlined in the PID. Improvements to the change control template have been agreed to ensure changes are fully and consistently assessed.

Business readiness criteria were to be defined and agreed with service areas.

Number of actions agreed: 7

Adult Social Care Services, Assessment of Personal Budgets

Objective

To assess whether the arrangements in place to identify and assign an indicative resource allocation / personal budget are in line with national criteria and reflect local market conditions.

Theme

Personal budgets were introduced in 2008 and redefined in the Care Act 2014. Legislation requires personal budgets to be reviewed on a regular basis and at least annually, to ensure that they still meet the individual's needs.

When this scheme came in, a matrix was introduced to provide an indicative guide to the level of personal budget required by an individual. In line with other councils nationally, Southend-on-Sea Borough Council developed a system known as the Resource Allocation System that uses a Price Per Point to calculate an individual's personal budget. This system has not been maintained and key elements of it required to calculate individual's personal budget, are now out of date.

Appendix 3C: Audit Opinion and Themes

Assurance

| High | Satisfactory | **Partial** | Minimal |

However, all personal budget assessments are subject to management review, with management approval required of those valued up to £185 per week. Personal budgets over £185 per week are subject to review and approval by the Finance Authorisation Panel (the Panel). There is a need to adopt a more consistent approach to recording the management challenge of personal budgets proposed by caseworkers. However, there is consistent evidence of robust challenge regarding cases referred to the Panel.

Arrangements need to be strengthened to ensure that annual reviews do occur for everyone that has a personal budget, as there was evidence that a number were overdue.

Following changes in the Act, it is no longer compulsory for councils to calculate price per points for personal budgets and a number have discontinued the process. An Adult Social Care Transformation Project is scheduled to take place in 2017 that will include a fundamental review of the process for assessing personal budgets.

Number of actions agreed: 10

Housing Allocations

Objective

To assess whether Southend-on-Sea Borough Council (the Council's) Allocations Policy reflects good practice and is properly and consistently applied.

Themes

The Council's Housing Allocation Policy (the Policy) has been in place since August 2014 and is largely in line with the current guidance available from the Department of Communities and Local Government (DCLG). Some clarification is required in a few areas i.e.:

- it offers differing levels of guidance for assessing and evidencing 'housing need' elements of an application

- it does not sufficiently cover how to deal with:

  - financial assessments of current tenants wishing to re-join the register

  - assessing applications for those applying for sheltered housing.

The Council's ability to then apply the Policy in a consistent manner has been limited as there are no procedures in place to guide staff on how to implement it in practice.

Currently, the only time independent reviews of housing applications and assessments take place, is if applicants appeal initial decisions. Requests to appeal decisions are not logged, so it is not possible to easy identify or track them. Also they are not always considered by a person different to the one dealing with the original application. This is in contravention with Policy requirements.

Appendix 3C: Audit Opinion and Themes

Assurance

High	Satisfactory	**Partial**	Minimal

In the short term, a monitoring record should be established that tracks applications through the whole process that is regularly reconciled to the Abitras system (Choice Base Letting System). In the longer term, consideration should be given as to whether the IT software used by this service is fit for purpose, given data is stored in two different systems that don't talk to each other.

The introduction of independent management checks at key points within the allocation process, would offer some assurance that procedures are adhered to and consistently applied.

Direct Lets are undertaken in line with the relevant policies with supporting evidence readily available to support this, so the decision-making process was clear. Property shortlists automatically ranked successful applicants, who were contacted in order with reasons for any deviances or omissions clearly noted on the Abitras system. A regular reconciliation of allocations against adverts placed should be introduced to identify any that have been omitted and allow suitable remedial action to be taken.

There is currently no management information available to monitor whether key Policy timescales are being met. This appears to be due in part, to the limited information that can be sourced from the Abitras system.

The Council does not currently request any performance information from South Essex Homes in relation to the allocations work it undertakes. The Council should make its expectations clear and outline key performance information it wishes to receive from the company, before the planned handover of further work in this area.

Number of actions agreed: 7

## Works Contract Letting, St Helen's Roman Catholic School

Objective

To assess whether the:

- letting of the AW Hardy works contract in relation to work at St Helen's Roman Catholic School (the School) was administered fairly, without favouritism or bias, in accordance with Southend-on-Sea Borough Council (the Council's) Contract Procedure Rules

- exercise produced a contract that will ensure stakeholders' expectations / requirements are met in accordance with the respective budgets.

Appendix 3C: Audit Opinion and Themes

Assurance

High	Satisfactory	**Partial**	Minimal
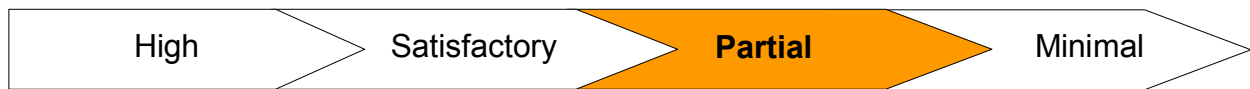
Themes

The key elements expected of a good practice procurement process, had taken place and the contract let was within budget. The value of the works for Phase 2 of this project was £1,982,110. Stakeholders were involved in preparing the service specification, evaluating whether submissions met their requirements and at the build stage of the project. Nevertheless, non-compliance with legislation, the Council's Contract Procedure Rules and proper procurement practice was identified in the letting of this contract.

So, for example:

* a comprehensive options appraisal could not be produced

* the project brief and plan did not explain why the work was phased, why the particular form of contract and type competitive process was used.

During the tender evaluation stage, it was noted that:

* the project plan did not state whether the project manager was authorised to manage slippages or whether they needed to be referred to someone more senior for a decision

* evidence had not been retained that appropriate references were obtained for two out of seven economic operators expressing an interest in this contract

* the Invitation to Tender (ITT) was inconsistent as to whether tenders could be modified after the submission deadline or not, and one was

* although the bids were recorded on the register, the register itself had not been certified by the officers opening them nor did it state the available budget or a pre-tender estimate

* the could not be located in the Council's Corporate Contract Register, in line with the requirements of the Local Government Transparency Code 2015

* the Invitation to Tender document identified individuals on the evaluation panel

* the full scoring system for the interviews with bidders was not disclosed in the ITT in line with the requirements of the Treaty on the Functioning of the European Union principle of transparency

* one bidder was not given the option to be interviewed in line with the process set out in the ITT, although it was arithmetically impossible for them to win nor provide clarifications on their bid because their price was deemed too high.

The contract was entered into a week after the date for possession of the first section allowing the contractor to commence works. Whist this does not comply with good practice, the risk in this case was deemed minimal, as a full payment cycle had not elapsed.

Appendix 3C: Audit Opinion and Themes

Assurance

High	Satisfactory	**Partial**	Minimal

Nevertheless, a price and quality evaluation (subject to the issues listed above) was completed. A tender analysis report had been produced as expected, which showed that an arithmetic check of the evaluation was undertaken. Two contract managers / administrators worked on the project to provide cover when necessary. An appropriate type of standard contract was used which contained performance indicators as well as time (complete date), cost (contract sum), and quality / design (for example, number of class bases required) obligations. The deliverables specified in the contract met the objectives of the initial project brief completed in 2012. The project was also delivered successfully in time and on budget.

Many of the issues identified will be dealt with going forward, by the requirement to involve the Corporate Procurement team in any procurement over £25k. However, where appropriate, action is being taken to strengthen the Property, Regeneration and Strategic Projects team's arrangements by providing staff with additional guidance and training in respect of good procurement practice.

Number of actions agreed: 7

IT Infrastructure and Asset Management

Objective

To assess whether the IT infrastructure and asset portfolio[1] is well managed, secured and helps deliver both effective IT and wider-Council services.

Themes

The hardware asset register needs to be updated so that it is a complete and accurate record of what the Council owns. It then needs to be refreshed at least annually to ensure it remains up to date.

The software asset register was largely satisfactory. However, additional details about the licensing arrangements for each software package should be included in the records, including the number of licences held and the type of licensing arrangement.

Procedure notes and flowcharts were available to demonstrate the asset management processes operating within the Council. However, these would be better formalised into a single, accessible policy.

The relative priority of assets that are fundamental to the operation of Council-wide services has been identified satisfactorily with key assets being prioritised in asset registers and in the frequency of the maintenance checks performed by ICT.

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[1] IT hardware, software, network resources and services, and the physical environment in which they are situated, required for the operation and management of IT services. This could include computers, servers, server rooms, mobile devices, file storage platforms, network appliances such as firewalls, switches and routers.

Appendix 3C: Audit Opinion and Themes

Assurance

| High | Satisfactory | **Partial** | Minimal |

An IT Asset Procurement audit (14-05) conducted in May 2015 by the Council's Internal Audit team found that when procuring new ICT assets, the processes for defining the required condition and performance of these assets were satisfactory.

A daily checklist of important tests of the Council's ICT infrastructure was found to be largely satisfactory. The condition and performance of key assets (i.e. key software packages and physical servers) are checked on a daily basis, and issues are followed up satisfactorily when identified.

Assets awaiting deployment or disposal were also found to be held securely. Rooms containing IT assets that are located on the ground floor of the Civic Centre (i.e. visible to the public) are protected by reflective window film, preventing members of the public being able to identify high value assets.

Number of actions agreed: 4