

CITY OF LONDON  
CHAMBERLAIN'S DEPARTMENT  
INTERNAL AUDIT SECTION



**COMMUNITY AND CHILDREN'S SERVICES**  
**DEPARTMENTAL REVIEW (2015-16)**  
**FINAL REPORT**

Date Issued: 21<sup>st</sup> July 2016

Issued to: Neal Hounsell – Assistant Director, Head of Strategy and Performance  
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## **SECTION A: EXECUTIVE SUMMARY**

### **Introduction**

1. The Department of Community and Children's Services (DCCS) has a wide remit to provide care and support to the residential population of the City of London. They also provide social housing and housing management services to residents in six other London boroughs.
2. In April 2013, responsibilities for public health were devolved to local authorities from the NHS; as a result, DCCS gained additional responsibilities for preventing disease and promoting good health and wellbeing amongst the entire population of the City, which includes the 7,600 residential population along with the 360,000 City worker population.
3. The DCCS remit includes the provision of:
  - People's Services
  - Housing Services and Management of the Barbican Estates
  - Commissioning and Partnerships
  - Public Health Services.
4. The Departmental Business Plan sets out the main activities that will achieve the priorities of the Department and the Key Performance Indicators (KPIs) that will be used to measure progress. Sitting under the Departmental Business Plan are service plans for each directorate which set out in more detail how they will deliver the departmental priorities, as well as the business as usual activities.
5. The focus of this audit was to provide assurance that corporate plans are linked to budgets, risks and KPIs, to provide assurance to Chief Officers that the plan is being delivered within budget and what is being reported is consistent with other reporting mechanisms.
6. The objectives were to ensure that:
  - the business planning process is robust, that is, clearly linked with financial, risk and performance management;
  - monitoring of the delivery of the business plan is undertaken alongside consideration of budget reports, risk register and key performance measures at appropriate levels;
  - any significant variances (budget, risk or performance) are challenged and either explained or further actions are taken, and
  - Budget and monitoring information is presented consistently.



## **Assurance Statement**

<b>Assurance Level</b>	<b>Description</b>
<b>Substantial Assurance 'Green'</b>	There is a sound control environment with risks to system objectives being reasonably managed. Any deficiencies identified are not cause for major concern.

## **Recommendations Summary**

<b>Recommendations</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Number Made:	0	1	6	7
Number Accepted:	0	1	6	7

## **Key Conclusion**

7. **Audit testing and discussions with the Interim Head of Programmes and Projects, Finance representatives and the DCCS Inspection and Improvement Team demonstrated linkage between corporate plans, budgets and risks though there is scope for this to be more explicit in relation to priorities set.**
8. **Audit testing identified that targets set within the departmental business plan are generally SMART with clear success criteria. For the 2016-17 financial year links have been drawn between KPIs and strategic priorities and it is understood that monitoring will focus on their contribution to the achievement of business plan targets; this represents an improvement upon previous years. Review of evidence confirmed that performance monitoring occurs regularly at both SMT and Committee level.**
9. **Internal Audit confirmed that departmental budget and risk register information is considered in conjunction with business plan monitoring and is presented to Committee. There is scope, however, to better demonstrate discussion of risks at SMT level and for risk reporting to be fully aligned with corporate guidance.**
10. **Evidence was obtained of financial monitoring within the department although the frequency and level of detail was found to vary between SMTs. Audit examination of financial monitoring returns and minutes of relevant meetings indicates that services are, in general, being delivered within budget. Limited audit testing was possible in relation to local challenge of budget variances as, for the sample selected, SMT minutes did not refer specifically to budget areas.**
11. **Internal Audit evaluation of the consistency of reporting between SMT, DLT and Committee proved problematic as there were variations in the level of information presented. It is anticipated that revised business plan reporting arrangements in 2016-17 should address this through consistent linkage of KPI information to strategic priorities, where appropriate.**



## SECTION B: AUDIT FINDINGS

### Key Findings

#### Robustness of the business planning process and business plan links

12. Audit testing confirmed that there are specific service improvement activities which are linked to the department's five strategic priorities and feature clear high level success measures. Committee ratification of the business plan is on the basis that the actions are relevant and attainable. Each of the actions is dated to within the period the business plan covers (i.e. 2015 - 17) and in some cases these are specific to a month.
13. The 'Master Update' provides a quarterly report in relation to the Strategic Priorities set out in the business plan. Whilst these are broken down into activities, the target dates, groups and outcomes are not always specific to ensure a clear measure of success. A recommendation has been made to further strengthen control in this area through the use of consistently detailed objectives to drive performance improvement.

Priority	Issue	Risk
Green	In the summary activity Business Plan, some target dates are set as 2015–17 to achieve an unquantified improvement in service (Action to meet priority 4.2 - Health Commissioning: number of rough sleepers accessing mental health services).	Performance monitoring and improvement may be hampered by targets or actions which are not sufficiently detailed / challenging.

Recommendation 1:

Business Plan success measures should incorporate specific outcomes and timeframes.

#### **Management Response and Action Plan:**

Although in the revised Business Plan for 2016/17 there has been mapping of the PIs/ KPIs to the activities this is not reflected on the activity summary used for reporting and monitoring purposes. Using the above issue as an example - this improvement activity does directly link to a number of existing PIs that are captured around social care and homelessness. The intention going forward will be to make the links more explicit in the plan and in reporting.

We recognise that links between activities, PIs and identifying clearer outcomes / success measures and timescales is an area for improvement. For the development of the new 2018/22 DCCS Business Plan, that will commence in November 2016, we will be looking to ensure that these are SMARTer – with clear links between the improvement activities in the plan that will enable outcomes to be measured / evidenced with identified dates for achievement. Additionally, we plan to review the



PIs being captured / monitored to ensure these provide a meaningful overview to DLT of the performance of the services being delivered.

Responsibility: DCCS DLT

Target Implementation Date: April 2017 (commencing November 2016 as part of the business planning cycle)

\* Where recommendation not accepted indicate alternative action that will be taken to mitigate risk or reasoning for accepting risk exposure to be provided

14. Audit testing confirmed the use of 17 Key Performance indicators within the department. Examination of documentation related to 2015-16 identified that these were not aligned to specific strategic priorities when reported to Committee. It was noted, however, that this is being addressed for business plan reporting in 2016-17 to facilitate monitoring of delivery against strategic aims.

15. No process was identified to align performance indicators with budgets and risk. The business plan contains high level financial information but none specific to strategic aims or performance indicators which refer specifically to cost. Budget monitoring information is presented to Committee alongside business plan updates but no clear links are drawn between the two.

16. Risk implications of strategic aims are not detailed in the Business Plan and review of SMT and DLT minutes indicated that there had been limited discussion of risk in relation to service delivery. A recommendation has been made on the basis that evidence was not readily available to demonstrate that risk represented an integral part of the business planning process.

Priority	Issue	Risk
Green	The business plan does not demonstrate clear links between key performance indicators, risk and budgets.	Without demonstrating knowledge of how risk and budgets affect objective delivery, there is a risk that these have not been considered and strategic priorities may not be met.

Recommendation 2:

Planning in respect of strategic priorities and associated performance measures should demonstrate consideration of risks and budget implications.

**Management Response and Action Plan**

In relation to point 14 above - the quarterly reporting of PIs to DCCS DLT and Committee does show the PIs grouped and linked to the relevant DCCS strategic priority.



To address this item – at the quarterly performance reporting update to DLT (also attended by Finance) we will request an updated from all divisions and Finance on any budget risks that will impact on the delivery of activities in the Business Plan or the achievement of PIs. This will allow any items identified to be included in meeting minutes with the planned mitigation recorded. This will subsequently be recorded in the quarterly report to Committee.

Responsibility: DCCS DLT

Target Implementation Date: Q2 review of Business Plan activities that will be reported to DLT 2 November 2016.

Performance Monitoring

17. Active monitoring of business plan delivery and financial performance was confirmed by reference to Committee update reports. 'Master updates' collated by the Inspection and Improvement Manager were found to provide clear information regarding strategic priority actions.

18. DLT and SMT records provided evidence of local performance monitoring arrangements and confirmed regular discussions regarding service delivery, although inconsistencies were noted across service areas in terms of the level of detail. An example of this applies to financial monitoring whereby minutes did not make reference to budget positions or expected outturn. Discussion with Finance Officers indicated that separate meetings are held with budget holders but sample testing identified that this had not happened consistently during the year and in some cases discussions had not been minuted.

Priority	Issue	Risk
Green	Limited evidence was available in relation to budget monitoring at SMT and DLT.	Budget implications for service delivery may not be considered and discussed within teams and at Management level. Staff may not be aware of the position with regards to service delivery.

Recommendation 3:

An overview of financial standing in relation to service delivery should be captured at SMT / DLT, as evidence of the consideration of budget monitoring.

**Management Response and Action Plan**

All DCCS SMTs to introduce a standard agenda item of 'Finance/budget risks' to capture and record any issues that may impact on service delivery and the actions being taken to address. This will be cascaded down to teams to raise awareness of the identified risks and mitigating action being taken.

Responsibility: DCCS DLT and SMTs



Target Implementation Date: 1 September 2016 (to be discussed / agreed at DCCS DLT on 17 August)

19. Internal Audit were advised that in one service area budget monitoring meetings were not held due to staff changes within DCCS but the forecast outturn was reported to the Assistant Director as a compensatory measure. An audit recommendation has been raised to strengthen control in those areas where budget monitoring is understood to be relatively informal.

Priority	Issue	Risk
Green	Evidence of budget monitoring meetings was not available for some service areas.	Decision-making may be hampered by the absence of formal budget monitoring / records of key discussion. Action points may not be followed up appropriately if not documented, resulting in poor financial management.
<p>Recommendation 4:            Monthly budget monitoring meetings should be held and documented to provide evidence and an audit trail of the review and decision making process.</p> <p><b>Management Response and Action Plan</b>            Budget meetings have been scheduled for the year. Minutes are taken for all meetings with budget managers and we will make sure that action points are followed up and documented.</p> <p>Responsibility: Finance / budget managers            Target Implementation Date: 1 September 2016 (to be discussed / agreed at DCCS DLT on 17 August)</p>		

20. Corporate risk management guidance provides for the quarterly presentation of risk reports to Committee. Internal Audit examination of a sample of such reports in 2015-16 identified that information did not coincide with Committee reporting dates and this was attributed to difficulties experienced with Covalent. It is understood that system issues have since been addressed and an audit recommendation has been made to promote ongoing adherence to corporate risk reporting arrangements.

Priority	Issue	Risk
Amber	Only two risk reports (dated September 2015 and February 2016) were identified in respect of the 2015-16 financial year.	Non-compliance with Corporate guidelines. There is a risk that issues affecting service delivery and meeting objectives are not being actively considered as part of the whole DCCS operation.





**Recommendation 5:**

Risk reports should be produced in compliance with corporate guidelines, which is quarterly.

**Management Response and Action Plan**

The reporting of risk to Committee on a quarterly basis did resume in Q3 and Q4 of 2015/16. This quarterly reporting will be on-going in accordance with Corporate requirements.

Responsibility: DCCS DLT

Target Implementation Date: Already being done

21. Sample testing of four DCCS risks confirmed that these had been reviewed at least monthly and, in some cases, more frequently. Examination of SMT and DLT minutes identified little indication of discussion related to departmental risk. The only evidence within the sample related to Commissioning and Partnerships SLT meetings in June and December 2015. Based on testing performed assurance cannot be provided in respect of the arrangements for ensuring the flow of risk information between SLT to DLT and vice versa.

Priority	Issue	Risk
Green	Audit sample testing identified little evidence of the consideration of current and new departmental (i.e. non-Health and Safety) risks at SLT.	The Department at Service level does not actively look at and consider, on a regular basis, what would prevent the service meeting their objectives.

**Recommendation 6:**

Each Service should include risk as a standard agenda item for SLT meetings. In the discussion of this, Service departments should identify any additional risks that should be added to the risk register, in relation to progress against Business Plan objectives. Progress against mitigating other risks should be considered.

**Management Response and Action Plan**

'Departmental risks' will be added to DCCS SMT meeting agendas as a standard item – any risks or issues identified recorded and fed back to the DCCS Business Manager for recording on the risk register.

Responsibility: DCCS DLT

Target Implementation Date: 1 September 2016 (to be discussed / agreed at DCCS DLT on 17 August)



Challenge of significant variances

22. Audit testing was focused on a sample of four service departments to determine the extent of scrutiny and challenge in respect of budgetary performance. Testing identified that budget monitoring discussions are not minuted consistently and in one of the areas sampled only significant exceptions would be documented, of which there were none within the period.
23. Examination of Committee reporting across 2015-16 identified mention of an overspend within People's Services as part of the second quarter outturn. No related discussion was identified within the notes of DLT meetings. In the absence of regular minutes reflecting the detail of budget monitoring actions, assurance cannot be provided that departmental monitoring arrangements would highlight variances for reporting to Committee.

Priority	Issue	Risk
Green	Documentation related to budget monitoring was insufficient to demonstrate that variances are flagged and tracked appropriately to ensure resolution.	Without evidence of discussion of variances and tracking of agreed rectifications, there is a risk that actions are not put in place to deal with overspends and the implications for service delivery properly assessed.
<p>Recommendation 7:            Significant budgetary variances should be highlighted in monitoring meetings and clearly tracked to facilitate resolution.</p>		
<p><b>Management Response and Action Plan</b>            All significant variances are highlighted at meetings with budget managers and recorded in these minutes. These are then looked at again in the following month. DCCS Budget Managers to raise any issues following budget monitoring meetings with Finance at their relevant SMTs for recording in minutes and the identification of actions being taken to address.            Responsibility: Finance / DCCS            Target Implementation Date: 1 September 2016 (to be discussed / agreed at DCCS DLT on 17 August)</p>		

Consistent presentation of budget and performance monitoring information

24. Audit testing confirmed that budget and performance monitoring information is presented at Committee quarterly in a format that facilitates comparison over a period, through the use of a standard agenda and commentary on:
- The current position against indicators
  - Progress against improvements actions under strategic aims
  - Significant achievements



- Complaints
- Financial and risk implications

25. Comparison of SMT / DLT information to that reported to Committee identified an inconsistency under 'progress against improvements'; no reference had been made to progress against two 'red' rated activities. This was queried with the Interim Head of Programmes and Projects who was aware of the inconsistency. It was further explained that the categorisation of the 'red' rated activities had been queried locally (it was considered that these should potentially be 'amber') and in any event mitigating actions had been put in place to deal with the issues raised. Internal Audit were advised that revision of the format of business plan monitoring arrangements in 2016-17 is focused on demonstrating, consistently, how actions are contributing to the achievement of strategic aims.
26. Proposed audit testing of the consistency and flow of performance information between SMT and DLT was hampered by a lack of detail in meeting minutes. It was confirmed that the minutes follow a standard agenda at each management level which encourages consistency of the broad areas discussed. It is acknowledged that the focus of these meetings is to provide an update to staff on activities within the department rather than formal performance monitoring, however, and on this basis no recommendation is made. Notwithstanding, consideration should be given to the consistent capture of detail from SMT / DLT meetings to facilitate tracking and performance monitoring, enabling comparisons to be made between meetings.

## **APPENDIX 1: AUDIT DEFINITIONS AND RESPONSIBILITIES**

### Assurance levels

Category	Definition
<b>Nil Assurance 'Dark Red'</b>	There are fundamental weaknesses in the control environment which jeopardise the achievement of system objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
<b>Limited Assurance 'Red'</b>	There are a number of significant control weaknesses and/or a lack of compliance which could put the achievement of system objectives at risk and result in error, fraud, loss or reputational damage.
<b>Moderate Assurance 'Amber'</b>	An adequate control framework is in place but there are weaknesses and/or a lack of compliance which may put some system objectives at risk.
<b>Substantial Assurance 'Green'</b>	There is a sound control environment with risks to system objectives being reasonably managed. Any deficiencies identified are not cause for major concern.

### Recommendation Categorisations

Priority	Definition	Timescale for taking action
<b>Red - 1</b>	A serious issue for the attention of senior management and reporting to the appropriate Committee Chairman. Action should be initiated immediately to manage risk to an acceptable level	Less than 1 month or more urgently as appropriate
<b>Amber - 2</b>	A key issue where management action is required to manage exposure to significant risks, action should be initiated quickly to mitigate the risk.	Less than 3 months
<b>Green - 3</b>	An issue where action is desirable and should help to strengthen the overall control environment and mitigate risk.	Less than 6 months

Note:- These 'overall assurance level' and 'recommendation risk ratings' will be based upon auditor judgement at the conclusion of auditor fieldwork. They can be adjusted downwards where clear additional audit evidence is provided by management of controls operating up until the point of issuing the draft report.



### What Happens Now?

The final report is distributed to the relevant Head of Department, relevant Heads of Service, and those involved with discharging the recommended action.

A synopsis of the audit report is provided to the Chamberlain, relevant Members, and the Audit & Risk Management Committee. Internal audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The ongoing progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit & Risk Management Committee.

### Any Questions?

If you have any questions about the audit report or any aspect of the audit process please contact Cirla Peall, Audit Manager (ext. 1266) or Pat Stothard, Head of Audit & Risk Management via email to [pat.stothard@cityoflondon.gov.uk](mailto:pat.stothard@cityoflondon.gov.uk).