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DATE: 1 June 2010

THE LONDON BOROUGH
www.bromley.gov.uk

To: Members of the
     AUDIT SUB-COMMITTEE

Councillor Michael Tickner (Chairman)
Councillor Lydia Buttinger (Vice-Chairman)
Councillors Reg Adams, Nicholas Bennett J.P., Simon Fawthrop, Julian Grainger and
Stephen Wells

A meeting of the Audit Sub-Committee will be held at Bromley Civic Centre on
THURSDAY 10 JUNE 2010 AT 7.30 PM

MARK BOWEN
Director of Legal, Democratic and
Customer Services.

Copies of the documents referred to below can be obtained from
http://sharepoint.bromley.gov.uk

A G E N D A

1   APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

2   DECLARATIONS OF INTEREST

**3   CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 23RD MARCH 2010
      EXCLUDING THOSE CONTAINING EXEMPT INFORMATION** (Pages 5 - 14)

4   QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

To hear questions received in writing by the Legal, Democratic and Customer Services
Department by 5pm on Friday 4th June 2010 and to respond.

5   MATTERS OUTSTANDING FROM THE LAST MEETING

The following items were outstanding after the last meeting:

Time/Minute/ Date	Summary Description	Action being taken	By whom	Estimated completion date
Officers' Expenses (Minute 21 – 22nd September 2009 and Minute 30(ii) 8th	E&R PDS requested to review expenses claimable by Council	The issue of expenses based on the findings from this	Director of Resources/ Assistant Chief Executive (HR)	June 2010

December 2009)	Members and officers with a view, subject to comments from ACE(HR), to discontinuation of interview and relocation expenses for staff.	Sub-Committee is to be considered by COE prior to submission of report to E&R PDS Committee.		
Mobile Phones (Minute 33 (ii) – 8th December 2009)	E&R PDS Committee requested to review feasibility of offering annual allowance to officers to use their own mobile phone in place of those issued by Council.	This issue to be considered by COE prior to submission of report to E&R PDS Committee. This matter was re-considered by the Sub-Committee on 23rd March 2010 (minute 45 (i)). A report is scheduled for the PDS meeting on 9th June 2010.	Chief Executive	June 2010
External Audit Reports – Pension Fund: Draft 20089/10 Audit Plan (Minute 44 – 23rd March 2010)	Referred the draft 2009/10 Audit Plan for the Pension Fund to the Investment Sub-Committee	A report will be prepared for the Investment Sub-Committee in August or September 2010	Director of Resources	August 2010
Transition Team (Minute 45(vi) – 23rd March 2010)	Referred to the A&C and CYP PDS Committees for	A report will be referred to the PDS Committees at their	Democratic Services Manager	July 2010

	consideration	June or July meetings.		
Internal Audit and Value for Money Reporting (Minute 46 – 23rd March 2010)	Referred to Improvement & Efficiency Sub-Committee for consideration	A report will be prepared for the Sub-Committee's meeting on 8th July 2010	Democratic Services Manager	July 2010
Direct Payments (Minute 50/1 (iv) – 23rd march 2010	Referred to A&C PDS Committee for examination	A report will be prepared for the Committee's meeting on 27th July 2010	Democratic Services Manager	July 2010

6   **INTERNAL AUDIT PROGRESS REPORT** (Pages 15 - 62)

7   **INTERNAL AUDIT ANNUAL REPORT 2009/10** (Pages 63 - 84)

8   **ANNUAL SCHOOLS AUDIT REPORT 2009/10** (Pages 85 - 100)

9   **INTERNAL AUDIT AND VALUE FOR MONEY REPORTING** (Pages 101 - 106)

10   **LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000**

The Chairman to move that the Press and public be excluded during consideration of the item of business listed below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

Items of Business   **Schedule 12A Description**

11   **CONFIRMATION OF EXEMPT MINUTES OF THE MEETING HELD ON 23RD MARCH 2010** (Pages 107 - 110)

Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

12   **INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS REPORT** (Pages 111 - 128)

Any action taken or to be taken in connection with the prevention, investigation or

prosecution of crime.

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AUDIT SUB-COMMITTEE

Minutes of the meeting held on 23rd March 2010

Present:

Councillor Michael Tickner (Chairman)
Councillors Graham Arthur, Nicholas Bennett JP
(for part of the meeting), Ruth Bennett,
Julian Grainger and Russell Mellor

39.   APOLOGIES FOR ABSENCE AND NOTIFICATION OF ALTERNATE MEMBERS

Apologies for absence had been received from Councillors Reg Adams, Simon Fawthrop and Stephen Wells. Councillors Julian Grainger and Russell Mellor attended the meeting as the alternates for Councillors Fawthrop and Wells, respectively. The Chairman also reported that Councillor Nicholas Bennett JP would be arriving late to the meeting.

40.   DECLARATIONS OF INTEREST

Councillors Ruth Bennett and Julian Grainger declared personal interests as school governors.

41.   MINUTES

RESOLVED that the Minutes of the meeting held on 8th December 2009, excluding those containing exempt information, be confirmed.

42.   QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

43.   MATTERS OUTSTANDING FROM THE LAST MEETING

The Chairman went through the matters arising listed on the agenda page – the present position involving where action had subsequently been taken since the last meeting, where further action was awaited or where a further report was to be considered later in the meeting, was noted.

44.   EXTERNAL AUDIT REPORTS

(i)   Annual Grant Claim Certification Report

The Council's external auditor, Pricewaterhouse Coopers LLP, presented their first annual report summarising the results of their 2008/09 grant claim certification work. The results of the certification work were considered when performing other Code of Audit Practice work at the Council including the conclusions on the financial statements, use of resources, data quality and financial management. The external auditor had audited all the claims which had been brought to its attention. All deadlines for submission of audited claims/returns had been met with the exception of the Child Care Affordability Programme (CAP) Grants for 2007/08 and 2008/09 and the General Sure Start 2007/08 claim. The work on the CAP grants had been delayed until agreement of the amounts had been received by Bromley from the Greater London Enterprise and this had been completed in January 2010. The format of the Sure Start grant submission had changed and therefore a new audit was required this year. Overall, the external auditor had identified that the Council had strong internal controls and financial reporting processes in place over the administration and preparation of grant claims. Implementation of the external auditor's recommendations as set out provided potential to improve the efficiency of the grant certification process even further.

RESOLVED that the report be noted.

(ii)   Annual Audit Letter 2008/09

In accordance with the duties and powers set out in the Audit Commission Act 1998 and the Local Government Act 1999, the External Auditor had published its Annual Audit Letter 2008/09 in December 2009. The purpose of the letter was to provide a high level summary of the results of the 2008/09 external audit work which had been undertaken at the London Borough of Bromley that was accessible for Members and other interested stakeholders. This letter had been discussed and agreed with the Chief Executive, had been noted by the Executive on 3rd March 2010 and referred to this Sub-Committee for consideration.

It was indicated that the Council continued to perform well overall having achieved a score of 3 out of a possible 4 in assessment of managing finances – focusing on sound and strategic financial management; governing the business – focusing on strategic commissioning and good governance; and managing resources – focusing on the effective management of natural resources, assets and people. The Letter indicated that the Council had a strong focus on sound financial management; that it had robust medium and longer term financial plans in place which were focused on the Council's key priorities; that the Council had a clear understanding of its community needs and that, with its partners, had developed a sustainable community strategy, "Building a Better Bromley"; that risk management arrangements were in place and risks were identified and mitigated against and the Council had a sound system of internal control; that the Council was delivering its

strategy to reduce its own use of natural resources and its impact on the environment and understood where it could most effectively intervene to reduce its "carbon footprint"; and that the Council managed its assets effectively and regularly reviewed asset usage to improve services, value for money or to release funds for other projects and programmes.

The Director of Resources pointed out that the criteria for assessment had been substantially changed this year and that the new framework was generic. There was a wider focus and also a greater concentration on achievement, outputs and outcomes and what difference arrangements had made for the local people. Members recognised that the assessment was designed to be more challenging for the Council and auditors. They welcomed the above comments and were satisfied with the Council's overall performance.

RESOLVED that the content of the Annual Audit Letter 2008/09 be noted.

(iii) Pension Fund: Draft 2009/10 Audit Plan

This Audit Plan informed those responsible for the governance of the London Borough of Bromley Pension Fund about the external auditors responsibilities and how they were to be discharged. The Council was the administering authority for the Fund and this responsibility at Member-level was discharged by the Investment Sub-Committee.

The external auditor had considered the valuation of the Fund and its operations and had assessed the extent to which there were potential fund and audit risks that needed to be addressed by the Audit. The Council was due to obtain an up-to-date fund valuation at 31st March 2010. The Plan included an analysis of key risks, audit strategy, reporting and audit timetable and other matters.

RESOLVED that the draft 2009/10 Audit Plan for the audit of the Pension Fund be noted and referred to the Investment Sub-Committee for consideration.

45.   INTERNAL AUDIT PROGRESS REPORT
Report DR10036

Consideration was given to a report received from the Director of Resources outlining the recent internal audit activity across the Council and updating Members on matters which had arisen since the Sub-Committee's last meeting. Particular attention was drawn to the following issues in the report:

(i)   Mobile Phones

Arising from the original audit priority one recommendation on the need for an agreed mobile telecommunications policy covering responsibilities of officers and mobile phone users, the Sub-Committee had given consideration to the possibility of staff being paid an allowance to use their own mobile phone in place of those currently issued by the Council.   It was reported that a draft mobile telecommunications policy had been drawn up and was currently the subject of staff consultation prior to submission to the General Purposes and Licensing Committee for consideration. The possible payment of allowances for officers to use their own mobile phones would be considered by the Chief Officers' Executive before a report on the feasibility of the proposals was presented to the Executive and Resources PDS Committee.

(ii)   Use of Cash Payments across the Council

At its last meeting (Minute 34 – 8.12.09), the Sub-Committee had requested a further report on the implementation of measures to reduce cash usage across the Council by at least 50% over the next year. In addition to the increased use of Bankers Automated Clearing Services where appropriate, the use of pre-paid cards was being investigated for reducing the number of cash transactions and also for achieving process efficiency benefits. An assessment of the potential application areas had focussed on Leaving Care as those accounted for almost 60% of the yearly cash payments of around £252,000 per annum and that potentially there were 140 cards that could replace the currently estimated 3,300 cash transactions per year in this area. In addition to Leaving Care, there was also potential for pre-paid cards to be applied to payments relating to support for parents and this would subsequently be assessed. In conjunction with this work, various supplier offerings were being reviewed and supplier presentations were currently taking place. A further update on the progress of introducing non-cash methods for users would be provided at the next meeting.

(iii)   Emergency Accommodation and Rents

An update was provided on the reconciliation process between the rent account system and the Oracle financial systems. Rent accounts were designated by external audit as a managed audit and this area was currently being audited. The outcome of the audit findings would be reported to the next meeting.

(iv)   Council Tax

In accordance with the Sub-Committee's request from the last meeting (Minute 33), a further report was submitted which included a revised table on Council Tax payment methods, the number of domestic payers and percentages as at 31st January 2010.   Members were satisfied with the breakdown and noted that the annual internal audit for Council Tax which had been completed for 2009/10 had

shown that the procedures and process mapping for recovery were currently being updated.

(v)   Debtors

At the last meeting, Members had requested information on the practicalities of use of the late payment of commercial debts legislation being applied to all debtors irrespective of whether they were in the private or public sector, including the possible pursuit of school debt through the Courts. It was reported that, on both legal and practical grounds, no other London Borough was known to apply interest on debt owed by schools. On a wider front, the application of interest on business debt would be very time consuming and complex as to how it could be charged, invoiced and collected and with no guarantee of collection. It was recognised that the best way forward was to continue to be selective and to target those large companies where the Council could expect to receive payment.

A Member referred to the benefit of having available a five-year graph that would identify changes and trends in longstanding debts (over a year or more) over a period of time and of possible seasonal effects. In response, the Director of Resources commented that a report on debts was regularly submitted to the Executive and Resources PDS Committee and that arrangements would be made for the inclusion of such a graph in all future reports to that Committee.

(vi)   New Priority One Recommendations: Review of Transition Team

The Transition Team of the Adult and Community Services Department had a current year's budget of £265,480. The Team liaised with other service areas such as the Children with Disabilities Team and the Leaving Care Team (of the Children and Young People Services' Department) amongst others. An audit of the Team had resulted in one priority one recommendation and five other lower priority recommendations as set out in the report of the Director of Resources.

Members expressed concern over the findings of the audit and the issues which had been raised. In particular, the Adult and Community Services Portfolio Holder referred to the poor working conditions at Bassets House which accommodated the Transition Team and to the need for improvements to be made to the filing and record keeping facilities. Members questioned whether the issues which had been raised could be related to the operation of the Carefirst Management Information System and felt that, overall, the findings of the audit should be referred to both the Adult and Community Services and the Children and Young People PDS Committees for consideration.

(vii)   Housing Benefit Fraud Update

Details were set out of the continuing achievements of the counter-fraud benefit partnership agreement which had been in place with the London Borough of

Greenwich since April 2002. Members recorded their congratulations to the Greenwich team.

(viii) Annual Governance Statement

The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, required audited bodies to conduct a review at least once a year of the effectiveness of its system of internal control, and to publish a Statement on Internal Control each year with the Authority's financial statements. Since 2007/08, the Annual Governance Statement (AGS) had replaced the Statement on Internal Control and was now the formal statement that recognised, recorded and published an Authority's governance arrangements, as detailed in the report of the Director of Resources. The AGS was signed off by the Chief Executive and the Leader of the Council.

(ix) Risk Management

The Sub-Committee received schedules of the current net high risks and the corporate risks. It was reported that at present all risks were being updated as part of the 2009/10 Annual Governance Statement review process and would be reported to the next meeting.

RESOLVED that

(1) the report be noted;

(2) a report be submitted to the Executive and Resources PDS Committee and the General Purposes and Licensing Committee setting out (i) the cost of the existing provision of Council mobile phones; (ii) the policy regarding the use and eligibility for the issue of Council mobile phones; and (iii) the feasibility of offering an annual allowance to officers to use their own mobile phone in place of those issued by the Council;

(3) a further update be received at the Sub-Committee's next meeting on the progress of introducing measures to reduce cash usage across the Council by at least 50% over the next year;

(4) the outcome of the current audit into rent accounts be reported to the Sub-Committee's next meeting;

(5) arrangements be made for future reports on debt submitted to the Executive and Resources PDS Committee to include a five-year graph identifying changes and trends in longstanding debts (of a year old or more);

(6) the report on the audit of the Transition Team be referred to both the Adult and Community Services and the Children and Young People

PDS Committees for consideration and to review, in particular, whether the deficiencies highlighted by the audit were attributable to any failure in the Carefirst Management Information System;

(7)   the continuing achievements of the counter-fraud benefit partnership with the London Borough of Greenwich be noted; and

(8)   the Annual Governance Statement be noted.

**46.   INTERNAL AUDIT AND VALUE FOR MONEY REPORTING
            Report DR10041**

At the request of the Chairman, a report was submitted which informed the Sub-Committee on the types of Value for Money reviews available and considered how any future or existing internal audit work could be used to inform value for money issues that might assist in the overall efficiency agenda.

Consultation with other London Boroughs' Internal Audit Sections had revealed a mixture of methods for dealing with the issue of value for money and compliance with the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. However, in the bulk of those authorities which had been contacted, the main value for money remit took place in other parts of their Council's apart from the Internal Audit sections as resources were not available to undertake comprehensive value for money reviews. Whilst Bromley was in a similar position, the Chief Internal Auditor was mindful that alertness to value for money required by auditors often manifested itself in the high priority findings and recommendations which would otherwise not be covered in normal audit work. Therefore, within current limited staffing resources, the Chief Internal Auditor was looking, at this stage, to apply value for money ratings on selective audit reports using existing benchmarking information.

Members complimented the Chief Internal Auditor on the content of this report and, in supporting the approach outlined, felt that the Internal Audit process should be developed through the improvement and efficiency route. Output needed to be measured as well as outcomes. It was felt that Internal Audit should apply a value for money rating on audit reports on a scale of 1 to 4 similar to that used by external auditors as a means of assessing performance. Mindful of the limited resources available, Members recognised that this process should only be undertaken where known benchmarking information was available and not where new benchmarking information would have to be commissioned. In this connection, a Member referred to details that could be used from the benchmarking exercise which had been undertaken across the Council in 2008.

RESOLVED that

(1)   **a further report be submitted to this Sub-Committee containing suggested methodology for implementing value for money ratings in selective audit reports using benchmarks previously identified;**

(2)   **the report of the Director of Resources be submitted to the Improvement and Efficiency Sub-Committee for consideration; and**

(3)   **an update be submitted on any internal audit value for money initiatives undertaken in 2010-11.**

**47.   INTERNAL AUDIT PLAN 2010/11
          Report DR10042**

A report was submitted by the Director of Resources informing Members of the draft Internal Audit Plan for 2010/11. As in previous years, the Plan had been formulated in accordance with the requirements of the Account and Audit Regulations and following discussions between Internal Audit and External Audit to ensure that the Authority's total audit resource was effectively managed and targeted. An annual work programme had been agreed with the External Auditor. There would be a total of 1553 audit days which were to be allocated in the plan for 2010/11 as indicated in the Director's report.

Details were set out regarding the regulatory audits including schools, risk-based audits and standards. It was noted that a more streamlined approach to audit reviews at secondary schools would be provided during 2010/11 whereupon a balance would be struck between the limited resources available and a proper audit being undertaken.

RESOLVED that the proposals contained in the Internal Audit Plan for 2010/11 be noted.

**48.   LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE
          LOCAL GOVERNMENT (ACCESS TO INFORMATION)
          (VARIATION) ORDER 2006 AND THE FREEDOM OF
          INFORMATION ACT 2000**

RESOLVED that the Press and public be excluded during consideration of the items of business referred to in the following Minutes as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

**The following summaries refer to matters
involving exempt information**

49. **EXEMPT MINUTES: 8TH DECEMBER 2009**

The exempt Minutes of the meeting held on 8th December 2009 were confirmed.

50. **INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS REPORT**

The Sub-Committee received details of recent internal audit activity on investigations across the Council and an update on matters arising from the Sub-Committee's last meeting.

The meeting ended at 10.05 pm.

Chairman

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Report No. DR 10050	**London Borough of Bromley** **PART 1 - PUBLIC**	Agenda Item No.

Decision Maker:	**Audit Sub Committee**
Date:	**10th June 2010**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**INTERNAL AUDIT PROGRESS REPORT**
Contact Officer:	Mark Gibson, Assistant Director Resources (Audit and Technical) Tel: 020 8313 4295 E-mail: mark.gibson@bromley.gov.uk
Chief Officer:	Paul Dale, Director of Resouces and Deputy Chief Executive
Ward:	All

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1. Reason for report

This report informs Members of recent audit activity across the Council and provides updates on matters arising from the last Audit Sub Committee. It covers matters outstanding from the last meeting, implementation progress on previous priority one recommendations, details on new priority one recommendations, housing benefit update and risk management.

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2. **RECOMMENDATION(S)**

a. **Note the report and comment upon matters arising from the internal audit progress report.**

b. **Note the continuing achievements of the counter fraud benefit partnership with Greenwich Council.**

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Corporate Policy

1. Policy Status: Existing policy.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: N/A

2. Ongoing costs: Recurring cost.

3. Budget head/performance centre: Internal Audit

4. Total current budget for this head: £587,520 excluding the benefit fraud partnership costs but subject to reduction.

5. Source of funding: N/A

Staff

1. Number of staff (current and additional): 10 FTE

2. If from existing staff resources, number of staff hours: 380 days per quarter

Legal

1. Legal Requirement: Statutory requirement. Accounts and Audit Regs 2006

2. Call-in: Call-in is not applicable.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 180 including Chief Officers, Head Teachers/Governors

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.

2. Summary of Ward Councillors comments: None

3.   COMMENTARY

3.1   Outstanding matters

3.2   Mobile Phones

3.3   Members of this committee requested that this matter be referred to the Executive and Resources PDS Committee and General Purposes and Licensing Committee to include costs of the existing provision of Council mobile phones, policy regarding use and eligibility and the feasibility of offering an annual allowance to officers to use their own phones. We have therefore not expanded further on this matter as these have been reported to the above committees.

3.4   Use of Cash Payments across the Council

3.5   Members wanted an update on the measures being taken to reduce cash usage across the Council by at least 50% over the next year. We had previously reported that petty cash expended across the authority for 2008/09 was about £443,800 of which £317,200 related to CYP through the Area offices.

3.6   In progressing the reduction of cash payments, in addition to increased use of BACS where appropriate, the use of pre-paid cards is being investigated for reducing the number of cash transactions and also for achieving process efficiency benefits. An assessment of the potential application areas that focussed on Leaving Care as these account for almost 60% of the yearly cash payments of around £252,000 per annum concluded that 140 cards could be used to replace 3,300 cash transactions.

3.7   An assessment of cash payments in CYP Leaving Care has demonstrated the business case for their use. Subsequently a tender for pre-paid card service to replace cash payments to Leaving Care clients has been issued through the OGC Framework with the tender results still to be evaluated at the time of this report.

3.8   In addition to Leaving Care, there is the potential for pre-paid cards to be applied to payments relating to support for parents and this will subsequently be assessed. A further area that will be considered will be current BACS and cheque payment processes to see whether there are benefits available to using pre-paid cards as an alternative method.

3.9   The purchasing card pilot has been completed and has been rolled out corporately -50 cards have been issued with more requests to be processed. For the period mid June 2009 to mid May 2010 £77,841 was spent in total against these cards. The impact of its use on the level of petty cash reduction has yet to be assessed.

3.10   Emergency Accommodation and Rents

3.11   Members had requested an update on our internal audit report of rent accounts and temporary accommodation. This matter is reported upon in Part 2.

3.12   Previous priority one recommendations

3.13   The latest list of outstanding priority one recommendations is shown in Appendix A. Since our last report to Audit Sub Committee there has been ongoing activity by management to implement these. Appendix A currently shows 11 priority ones. 10 have been implemented since the last report to this committee – Review of Mobile Phones- see paragraph 3.2 above (1);Capital Schemes (5 out of 6 implemented) Review of Primary School A (2);Town Centre Management(1); Review of

Transportation Strategy (1). These are all expanded on in Appendix A. The old debtors recommendation is superseded by the new recommendation detailed in para 3.31 below.

3.14   Progress and new issues since the last meeting

3.15   For the period April 2009 to March 2010 we issued 189 reports to either draft or final stage. This figure includes 48 reports that had to be completed in respect of the 2008/09 plan including follow up reports, investigation reports, systems and probity audits. At the time of writing this report 141 audit reports have been issued as draft and final against this year's plan with a further 12 audits that are work in progress. This equates to approximately 82% of the audit plan where work is complete or in progress as at mid February 2010. The performance indicator for completion of the audit plan is 90%. There has been some slippage primarily due to staff absences, investigations that are reported elsewhere on this agenda, requests from management to put back audits and the secondment of an Audit Manager for a six month period to the post of Performance Manager as this role now reports directly to the Assistant Director Audit and Technical Services.

3.16   90% of the audits have been completed within the budgeted time allowed against a performance indicator requirement of 90%. The feedback from clients has been very positive with an average score of 4.2 out of 5 against the target of 3.

3.17   A target that has not been met is the two month elapse time between commencement of field work and issue of draft report. The performance indicator requires that 95% of the audits should be completed within two months of commencement of fieldwork whereas we have achieved 83%. This is slightly down on the 85% reported in the last cycle of this committee. As reported previously, there are a number of reasons for this including awaiting information from clients, extending the original scope where there are major findings, auditors being asked to carry out ad hoc work including investigations, secondment of an Audit Manager and sickness. Whilst the non achievement of this target is of concern there has been a gradual improvement from a low of 76% previously reported. This improvement reflects measures by Internal Audit management including close monitoring of audits in conjunction with the auditors. Audit management are actively reviewing strategies to improve performance against these targets in 2010/11.

3.18   The planned schools audits have all been achieved i.e. all the secondary schools apart from the Priory have been assessed against the Financial Management Standard in Schools (FMSiS) reviews having been initially reviewed three years ago. The last tranche of the small primary schools have also been assessed. Therefore all schools have in effect been assessed by Internal Audit over a period of time. In addition we have undertaken full audits of three schools –The Priory, Glebe and James Dixon Primary. We have also undertaken a special income and expenditure audit of a primary school that is expanded upon below. An annual report on school audits for 2009/10 is reported in this agenda.

3.19   We have also carried out some investigations the results of which are reported elsewhere on the agenda, monitored the benefit fraud partnership and dealt with any fraud referrals as referred to in part two of this agenda.

3.20   New priority one recommendations

3.21   The table of new priority one recommendations is listed below:

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Report Number	Title	Dept	No of Priority One's
ENV/004/01/2009	Parking Income 2009/10	ENV	1
RD/005/01/2009	Debtors	RD	1
CYP/P50/02/2009	Primary School	CYP	1
ACS	Care Management- Part 2	ACS	1
RD/002/01/2009	Cash & Banking – Cashiers Audit 2009/10-Part 2	RD	1

3.22 Parking Income 2009/10

3.23 This is an annual managed audit i.e. those audits designated by external audit where reliance is placed on internal audit work in respect of certain key controls that have to covered. The 2009/10 budget for car parking – on and off street parking is £5,597,360 expected income. Most of this is cash collected from machines.

3.24 There was a priority one recommendation in respect of a lack of reconciliations for a period from October 2009 to the commencement of the audit in mid February 2010. The amounts collected for parking income recorded on the daily collection spreadsheet from LBB cashiers had not been reconciled to cash reports from the Parkeon system and the amounts input onto Oracle. The reconciliation process is classified as a key control by external audit.

3.25 The process has now been undertaken but any shortfalls from this period are still to be investigated.

3.26 From a random sample of 25 collections examined it was identified that one collection was not stated on the cash collection report from the Parkeon system. This was due to communication error between a particular machine and the Parkeon software. There was also a lack of reconciliation between parking income banked per the Central Cashiers deposit to actual receipts of parking income received from the bank.

3.27 There was no reconciliation of parking income received via credit card into LBB's account since September 2009. The recommendation was made that parking income received via cash, credit card and mobile phone should be reconciled regularly.

3.28 Management have agreed to implement procedures and new operations manual will be actioned for all types of income.

3.29 There were four other recommendations covering reconciliations of season ticket kiosk income, lack of reconciliation procedures and advertising on our website that top up cards are available to make payments.

3.30 As a result of our findings a limited assurance audit opinion was issued.

3.31 Debtors

3.32 The 2009/10 debtor audit has again highlighted problems in the collection of old debts.

3.33 The aged debt analysis report for non-domiciliary care as at 31 January 2010 identified that the outstanding debt owed to the authority over a year old amounts to £1,275,337. The previous audit reported this to be £1,210,973 as at 31 January 2009. In addition, the domiciliary care breakdown report shows a balance of £1,231,971 owed at 8 February 2009, with £4,019,790 of charges made up to 31 January 2010, £3,642,283 payments

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received and balance of £1,609,477.94 remaining. Furthermore, appropriate debt recovery actions had not been evidenced in all instances sampled and procedures in this area need to be updated.

3.34   There were also a number of lower priority recommendations in respect of raising timely and accurate invoices, proper treatment between cancelling and writing off debts, ensure that the advanced collections debt management system is in operation promptly.

3.35   As a result of our findings a limited assurance audit opinion was issued.

3.36   Primary School

3.37   This School had met the financial management standard in 2008/09. Following a request from the new governors of this primary school to undertake an income and expenditure audit it was found necessary to make a priority one recommendation in respect of payments made to an IT company that exceeded the limit where quotes would be required.

3.38   A payment to an IT company was reviewed. An order was raised for the work after it had been carried out. The maintenance agreement which commenced in April 2006 was reviewed and found to be for £180 per quarter (£720 per annum). Additional work and site visits showed that the total spend with this company in the last 12 months was £16,162. This would have required the school to have at least obtained quotes in compliance with the schools financial regulations. The school have recently compiled a list of all contracts which includes two contracts with this company. One said 'out to tender' the other gave an annual value of £379. As a result we recommended that the school review the maintenance agreement with the company and ascertain whether it provided value for money. We also carried out a company search but could not find any conflict of interest issues.

3.39   The school carried out a review of the agreement with the IT Company and as a result terminated their services. The list of contracts will be reviewed by the Head Teacher and governors.

3.40   There were two other priority two recommendations in respect of the need to raise orders and check the charges on the energy statement. A limited assurance audit opinion was given.

3.41   Care Management

3.42   See Part 2 of this agenda.

3.43   Cash and Banking Cashiers Audit 2009/10

3.44   See Part 2 of this agenda.

3.45   Housing Benefit Update

3.46   Members will be aware that since April 2010 the scope of the partnership has been extended from benefit fraud to include general fraud cases referred to LB Greenwich. The partnership has now been extended to March 2014 to reflect its success in relation to sanctions achieved and value for money.

3.47   Since the inception of the partnership in April 2002, through to April 2010, the Council has successfully prosecuted 237 claimants to date for benefit fraud; issued 223 court summonses; given 80 formal cautions; and administered 246 penalties. The full details

and appendices on trends are shown in appendices B, C and D. (Please note that appendix C only covers the period April 2002 to March 2010).

3.48   There are three cases where the partnership is actively pursuing recovery through asset recovery procedures. We have had two previous cases where about £70,000 was recovered from convicted fraudsters.

3.49   £804,125 was identified from the Academy system as fraudulent housing benefit overpayments for 2009/10. 40 % of this is recoverable in rebate. An amount of £285,784 has been recovered in the year. In addition £209,013 was identified by the partnership as fraudulent council tax benefit that is recoverable through the individuals' council tax accounts.

3.50   Annual Governance Statement

3.51   At the previous meeting Members were advised that the Risk Management Group was co-ordinating this year's Annual Governance Statement (AGS) review.

3.52   The preparation and publication of an annual governance statement in accordance with the CIPFA/SOLACE Framework is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations (2003), as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 which requires authorities to "conduct a review at least once a year on the effectiveness of its systems of internal control" and to prepare a statement on internal control "in accordance with proper practices".

3.53   To reflect compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) we are now required to include a specific statement on whether the authority's financial management arrangements conform with the Statement. CIPFA's Statement sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance/organisational arrangements needed to support them.

We have detailed these core principles in section 7 of the AGS and confirmed that Bromley's financial management arrangements conform with the Statement.

The additional requirements from the CFO Statement will need to be incorporated in the Code of Corporate Governance and a revised and updated Code will be presented to Standards Committee in due course.

3.54   No significant governance issues have been identified during the review and the control issues identified in previous years are no longer considered significant given the work carried out during the year.

Bromley scored a 3 – 'performing well' for the theme 'Governing the business – focussing on strategic commissioning and good governance' in the 2009 Use of Resources assessment, which supports the progress we have made.

3.55   The wording of the AGS has been approved by Chief Officer's Executive and has been signed off by the Chief Executive and the Leader of the Council (Appendix E).

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3.56   Risk Management

3.57   As part of the planned actions this year we will be revising and updating the risk management strategy and expanding the Risk Management and Insurance site on onebromley.

3.58   We attach a schedule of the current net high risks (Appendix F).

4.   POLICY IMPLICATIONS

None.

5.   FINANCIAL IMPLICATIONS

Some of the findings identified in the audit reports mentioned above will have financial implications.

6.   LEGAL IMPLICATIONS

None.

7.   PERSONNEL IMPLICATIONS

None.

Non-Applicable Sections:	[List non-applicable sections here]
Background Documents: (Access via Contact Officer)	None

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments
RD/12/01/2008	**Review of Capital Schemes**	Limited Assurance	1 out 6 o/s	Recommendation on compliance with capital procedures has yet to be tested.	Management Action Ongoing	Head of Property Division and Asst Director Exchequer	Of the 6 agreed Priority 1s, 4 have been implemented, 1 cannot now be actioned due to the company going into liquidation and 1 cannot be verified properly until the next full audit.
ACS/026/01/2009	**Direct Payments Audit for 2009-10**	Limited Assurance	1	Financial monitoring information in respect of clients receiving direct payments was not found to have been always submitted by clients. Monitoring information was not requested at regular intervals. Contents of the letters requesting information was found to be in need of review as well as the direct payments agreement.	In Progress	Head of Exchequer Services (assumed responsibility from Oct 2009)	To be followed up in 2010/11 as part of the planned audit.
CYP/005/03/2008	**Review of fostering**	Limited Assurance	1	Supervising social workers are required to maintain contact with carers. Unannounced annual supervisory visits are required to be undertaken annually with announced supervisory meetings every six weeks. Whilst the 19 carer files showed that this occurred there was no evidence that this was on the required six week basis. 17 files showed no evidence of visits over a six month period. Visits were also being undertaken during school hours when children were not present. There were 4 instances where unannounced visits had not been undertaken over the previous year.	In progress	Head of Social Care	Accepted by Management for immediate implementation. To be followed up as part of 2010/11 planned audit.
ACS/035/01/2009	**Transition Team**	Limited Assurance	1	Three Adult Learning Disabilities Core Assessments were not located, a further three were not signed off, four referrals had not been transferred from the Children with Disability Team to the Transition Team and a further case where a referral from the Leaving Care Team had yet to be transferred over to the Transition Team.	In progress	Joint Team Manager/Interim Team Manager	Accepted by Management for immediate implementation.
CYP/S06/01/2009	**FMSIS review of Secondary School 2009-10**	n/a to FMSiS	2	Cash flow forecasts are currently not being undertaken on a monthly basis by the School and Financial Regulations in relation to tenders and quotations are not consistently adhered to.	In Progress	Head Teacher - and Chair of Governors	Accepted that the school needs to implement these priority 1 recommendations in order to meet the required Standard of the FMSiS. Re-assessment due at the school within 6 months.

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments
CYP/P50/02/2009	**Review of Primary School**	Limited Assurance	1	A payment to an IT company was reviewed. The maintenance agreement which commenced in April 2006 was reviewed and found to be for £180 per quarter (£720 per annum). The invoice sampled was for additional site visits totalling £2,760, plus some hardware totalling £452. The total spent with the It company in the last 12 months was £16,162. Further analysis showed that a total of £7,800 was paid for additional on site visits over the period May 2008 to March 2009. The school have recently compiled a list of all contracts which includes two contracts with the IT company. One says 'out to tender' the other gives an annual value of £379. The maintenance agreement at the school is dated April 2006 and details a maintenance charge of £180 per quarter, equating to an annual charge of £720. This suggests there may be errors in the list and it should be checked.	In Progress	Head Teacher, Governors and Finance Officer	The School have already market tested this service and IT company concerned is no longer used by tem. The contracts list is being updated.
ENV/004/01/2009	**Parking Income 2009-10**	Limited Assurance	1	Prior to the commencement of audit testing, amounts collected for parking income recorded on the daily collection spreadsheet from LBB Cashiers had not been reconciled to cash collection reports from the Parkeon system and the amounts input onto Oracle since October 2009.This process has now been undertaken up to the current date, but any shortfalls identified from this period are still to be investigated. From a random sample of 25 cash collections examined, it was identified that one collection was not stated on the cash collection report from the Parkeon System due to a communication error between a machine and the Parkeon software. Reconciliations of parking income have not been extended to ensure that parking income banked on the Central Cashiers Collection Deposit Sheets tally to actual receipts of parking income received from the bank. Reconciliations of parking income received via credit card into LBB's account, have not been undertaken since credit card payments for parking fees have been received (from September 2009).	In progress	CCTV Enforcement & Contract Manager	Management accepted the recommendation and have agreed to implement procedures and new operations manual that will cover every aspect of the reconciliation process. Reconciliations between cash collection reports from the Parkeon System and parking income recorded on the daily collection spreadsheet from LBB Cashiers, have now been brought up to date, although shortfalls are still to be investigated.

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments
RD/005/01/2009	**Review of debtors**	Limited Assurance	1	The aged debt analysis report, non domiciliary care as at 31 January 2010 identified that the outstanding debt owed to the authority over a year old amounts to £1,275,337, the previous audit reported this to be £1,210,973 as at 31 January 2009. In addition, the domiciliary care breakdown report shows a balance of £1,231,971 owed at 8 February 2009, with £4,019,790 of charges made up to 31 January 2010, £3,642,283 payments received and balance of £1,609,477.94 remaining. Furthermore, appropriate debt recovery actions had not been evidenced in all instances sampled and procedures need to be updated.	In progress	Head of Exchequer Services assumed responsibiity in October 2009 & Interim Head Of Revenues & Bens.	Management accepted the recommendation and responded with' The OAC system is scheduled to be installed by 31 Sept 2010 and than procedures will be reviewed and up-dated.'
	ACS -Care Management	N/A	1	Immediate clarification of procedure following investigation findings. Part 2 matter.	In Progress	Asst Dir Care Serv	All managers have informed staff that they must not manage SU finances and if they have any historical work they are to discuss it with the Manager to ensure procedures are followed. Controls to be discussed at the CSGM on 01.06.10 with all Heads to agree a way forward.
RD/002/01/2009	**Cash and Banking Audit**	Limited Assurance	1	Lack of procedures following the loss of cash at the Bromley Cash Office. Part 2 matter.	In progress	Interim Head of Benefits and Revenues	New procedures have been drawn up by management.

Priority one recommendations implemented since the last meeting: Capital Schemes- four have now been implemented in respect of issues relating to an overpayment to a contractor, improving the payment process, updating the contract register. One was made redundant as the company went into administration. One is outstanding on compliance with procedures that is currently being audited.

Town Centre Management -two priority one recommendations previously reported to this committee. Members satisfed with action on Christmas lights tendering and restructuring arrangements.
Primary School A- two priority ones on the budget and scheme of financial delegation previously reported to this committee that resulted in the school not meeting the FMSiS standard. The school has been reassesed and has now met the standard.
Review of Mobile phones- discussed at length -referred to E & R PDS and Gen Purposes.

Review of Transportation-Discussed in detail with this committee. Members agreed that this matter should now be closed
Review of Mobile Phones -Members agreed that this should be reported to E&R PDS and Gen Purposes Cttee.

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2002/2003	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL	
Number of Cases	200	28	21	73	24	26	36	112	15	11	31	41	618	
Confidential Hotline	18	5	4	6	1	1		4	1	4	10	7	61	
Interviews	8	8	14	17	7	7	9	9	14	6	9	6	114	
Claimant visits	19	12	26	36	33	17	20	20	10	16	6	15	230	
Prosecutions										1	1	1	3	£6,000
Court Summonses						1				2	2		5	£5,000
Admin Penalties						1			1				2	£2,000
Formal Cautions					1				1				2	£2,000
														£15,000

2003/2004	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL	
Number of Cases	39	36	39	31	82	111	182	50	73	45	37	111	836	
Confidential Hotline	8	4	8	10	5	4	9	5	3	8	10	10	84	
Interviews	12	9	8	21	10	11	8	17	15	20	18	44	193	
Claimant visits	7	14	11	27	33	26	38	26	44	18	29	29	302	
Prosecutions		1		1	1	2	3			1	1		10	£20,000
Court Summonses	2	4	1	4	3	2			1	1			18	£21,600
Admin Penalties	3		1		1			1	1	2			9	£10,800
Formal Cautions	4	1	1			1	2	1		2	1	1	14	£16,800
														£69,200

2004/2005	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL	
Number of Cases	27	70	61	69	35	49	57	55	14	32	44	67	580	
Confidential Hotline	10	7	8	12	12	7	11	9	3	4	10	11	104	
Interviews	8	8	11	13	21	35	24	27	17	25	16	26	231	
Claimant visits	20	18	19	12	12	23	17	21	8	18	1	7	176	
Prosecutions	3			3	3	1	1		1	1	1		14	£28,000
Court Summonses	2	4			6	2	1			9	2	4	30	£36,000
Admin Penalties	2		2	1		3				1			9	£10,800
Formal Cautions		4	2		1	2	1	3	1		2	1	17	£20,400
														£95,200

2005/2006	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL	
Number of Cases	94	55	56	65	28	64	55	46	9	85	46	48	651	
Confidential Hotline	6	5	19	6	6	10	10	10	7	8	6	15	108	
Interviews	21	27	33	30	17	48	45	39	19	24	39	70	412	
Claimant visits	8	7	10	4	10	12	13	21	7	5	14	7	118	
Prosecutions	3	2	5	2	1	1	1	3	3	6	2		29	£58,000
Court Summonses	6	3	4	1	3	4	7	5	2	5	6	4	50	£60,000
Admin Penalties	1	2				2		3	1	1		1	11	£13,200
Formal Cautions	2	2	1	2		2	1			1	1		12	£14,400
														£145,600

2006/2007	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL	
Number of Cases	42	68	70	55	45	38	55	56	41	85	97	77	729	
Confidential Hotline	15	16	13	7	4	1	3	7		5	5	9	85	
Interviews	32	42	42	51	45	49	38	32	36	42	56	56	521	
Claimant Visits		25	11	10	10	2	2	11		12	1	2	86	
Prosecutions	2	1	3		9	2	4	4	6	4	3	2	40	£14,000
Court Summonses	3		4	4	1	4	6	1	5	4	5		37	£0
Admin Penalties	5	3	1	2	3	1	2	4	2	3	15		41	£2,400
Formal Cautions		1	2							1	2		6	£0
														£16,400

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2007/2008	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	44	60	68	33	44	49	44	40	21	33	39	39	514
Confidential Hotline	7	12	4	10	3	10	8	10	9	21	13	10	117
Interviews	41	38	38	40	33	32	53	46	31	48	29	23	452
Claimant Visits	16	7	6	26	2	4	11	17	12	7	14	16	138
Prosecutions	8	3	7	4	2	7	2	4	3	5	1	0	46
Court Summonses	3	3	2	8		2		3	1	2	3	1	28
Admin Penalties	14	16	1	8	4	1	4	5	8	1	1		63
Formal Cautions	3	2		1				1	1	3			11

2008/2009	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	27	55	41	69	52	57	67	78	39	36	25	76	622
Confidential Hotline	11	8	9	3	13	19	10	13	7	12	10	9	124
Interviews	36	29	51	42	22	28	38	40	34	43	42	53	458
Claimant Visits	16	11	20	17	16	8	19	19	2	25	15	10	178
Prosecutions	6	2	3	8	6	3	2		3	1	3		37
Court Summonses	1		1	6		1	1	3	3	3	1	5	25
Admin Penalties	10	1	2	3	2	4	2	6	5	10	4		49
Formal Cautions	3	1		1		1	1		1	1	1		10

2009/2010	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	38	51	61	51	43	57	28	46	16	44	24	38	497
Confidential Hotline	11	18	12	3	13	18	5	11	5	11	4	10	121
Interviews	22	22	30	35	31	28	28	27	14	22	20	18	297
Claimant Visits	5	1	19	22	7	11	12		1	4	11	19	112
Prosecutions	8	2	9	1	5	8	5	1	5	2	6		52
Court Summonses	6	1	2	1		4	3	5			8	1	31
Admin Penalties	7	3	8	8	6	4	2	6	8	1	1		54
Formal Cautions	1			1			2		1	1			6

20010/2011	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	21												21
Confidential Hotline	5												5
Interviews	12												12
Claimant Visits	1												1
Prosecutions	6												6
Court Summonses	2												2
Admin Penalties	8												8
Formal Cautions	2												2

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HB Sanctions - Annual Comparison

Stacked bar chart titled "HB Sanctions - Annual Comparison". Y-axis labeled "No. of cases" ranging from 0 to 140. X-axis labeled "Year". Legend: Formal Cautions, Admin Penalties, Prosecutions.

Year	Prosecutions	Admin Penalties	Formal Cautions
2002-03 (618 cases)	3		
2003-04 (836 cases)	10	19	33
2004-05 (580 cases)	14	23	40
2005-06 (651 cases)	29	40	52
2006-07 (729 cases)	40	81	87
2007-08 (514 cases)	46	109	120
2008-09 (622 cases)	37	86	96
2009-10 (497 cases)	52	106	112

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Sanctions Trend
(NB: peaks and troughs are dependent on the court's allocation of cases to be heard.)

APPENDIX D

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ANNUAL GOVERNANCE STATEMENT   APPENDIX E
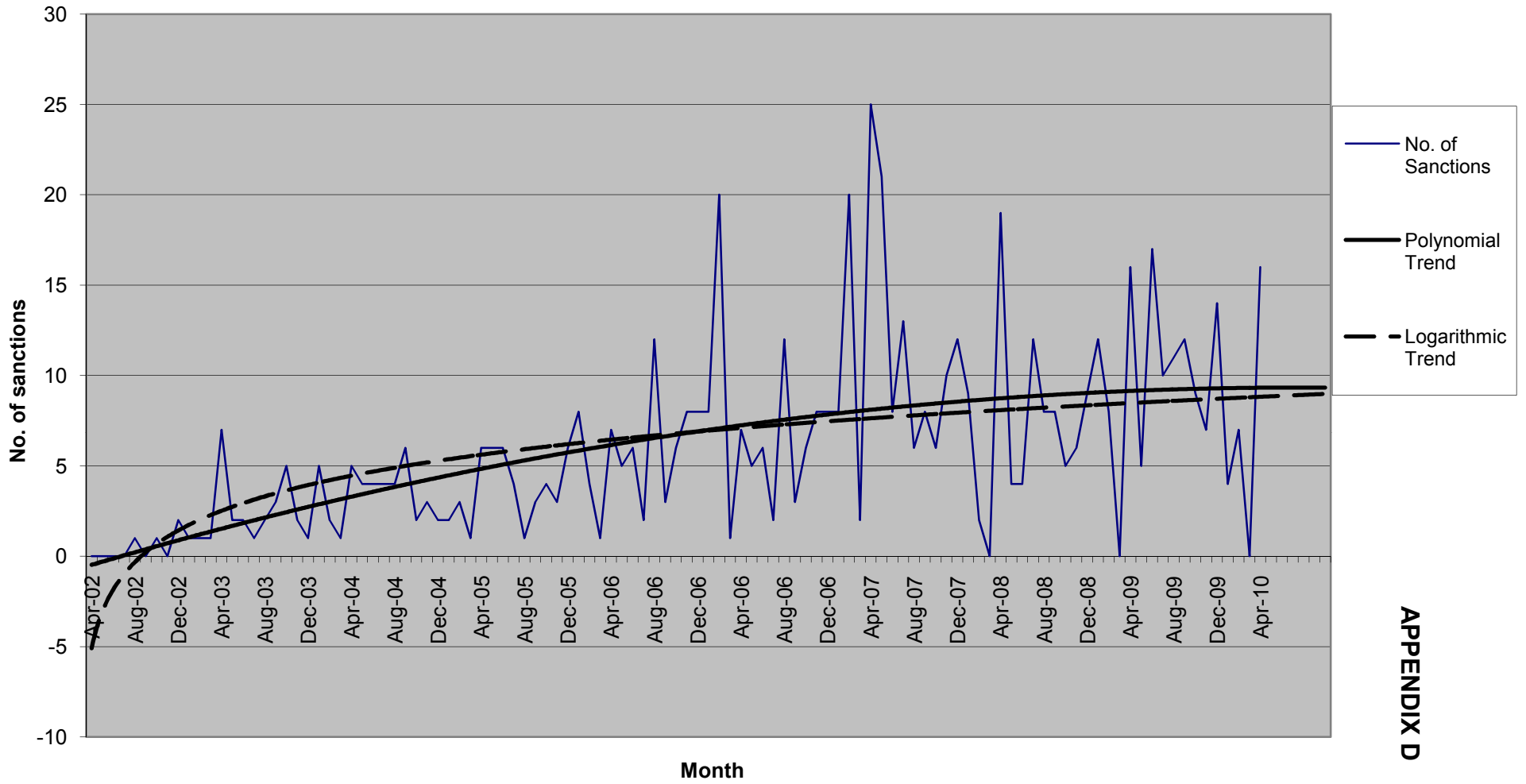
Scope of Responsibility

Bromley Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Bromley also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Bromley is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Bromley has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.bromley.gov or can be obtained from Legal, Democratic and Customer Services, Bromley Civic Centre, Stockwell Close, Bromley BR1 3UH. This statement explains how Bromley has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Bromley's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromley for the year ended 31 March 2010 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

The key elements of the systems and processes that comprise Bromley's governance arrangements are set out in the following sections:

1) **Identifying and communicating Bromley's vision of its purpose and intended outcomes for citizens and service users:**

   Our purpose is to enhance quality of life in the Borough. Our vision for Bromley is that it remains the place where people choose to live and do business. We want to be seen as excellent in the eyes of local people.

   'Building a Better Bromley - 2020 Vision' is our shared partnership long-term 'sustainable community strategy' for improving quality of life in the Borough. This is a comprehensive 10-year strategy to improve the economic, social and environmental well-being and health of people who live and work in

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the Borough. The plan sets the direction and policies which other plans should help to deliver and has been agreed by the Council and the Bromley Local Strategic Partnership in consultation with other stakeholders having an interest in effective public services in the Borough.

The future for Bromley is described in eight vision statements which cover:

- Children and Young People – 'all children and young people achieve their potential'
- Housing – 'housing of highest quality, meeting local needs'
- Safer Communities – 'seen as one of London's safest boroughs'
- Prosperous and Thriving – 'one of the most prosperous, thriving and skilled boroughs in London'
- Quality Environment – 'remains the 'cleanest and greenest' environment in London'
- Independence and Health – 'everyone leads active, healthy and independent lives'
- Involving Communities and Citizens – 'all communities and citizens actively involved and enabled to take greater control'
- Quality Public Service – 'local public services of the very best quality, working seamlessly in partnership'

The strategy is used as a basis for corporate and service planning and integrated with the Local Area Agreement 2008-11, a 3 year multi-agency delivery plan for the Borough's priorities. The Local Area Agreement (LAA) enables the Council and its partners to achieve reward monies from central Government subject to achieving agreed local and national outcomes.

Short term priorities are detailed in 'Building a Better Bromley 2008-10' which highlights the key actions that form a focus for the Council's Executive. A summary of the Council's delivery against our priorities for 2008-09 was published in the local free News Shopper in June 2009.

2) **Reviewing Bromley's vision and its implications for the authority's governance arrangements:**

In July 2004 the London Borough of Bromley announced its priorities for the future, the key aims are:

- Safer communities
- A quality environment
- Vibrant, thriving town centres
- Supporting independence
- Ensuring all children and young people have opportunities to achieve their potential
- An excellent council

This statement reflects the messages obtained from public feedback, and has been refined through annual consultation events. At the same time, the outcomes within Bromley's long-term strategy have also been revised to ensure a greater alignment with each of the partners' and the public's priorities.

To ensure that Bromley is best placed to deliver on Building a Better Bromley through to 2011, alongside new Financial and Human Resources strategies, a significant work programme has been undertaken to develop a 'Fit for Purpose' organisation, aligning our Member and departmental structures with our priorities.

As part of 'Fit for Purpose' 8 foundation strategy reviews were commissioned by the Chief Executive in 2008 to review how each of the corporate strategies are effectively taking our organisation forward and delivering on our corporate objectives in Building a Better Bromley. The review programme was designed to evaluate and determine how each strategy could be strengthened to achieve national standards and support Bromley's local priorities to deliver improved outcomes over the next 3 to 5 years. The

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ANNUAL GOVERNANCE STATEMENT

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foundation strategies cover: Finance, Customer Focus, Information, Communication and Technology (ICT), Performance Management, Communications, Human Resources, Property and Procurement.

The strategies have been reviewed and revised during the year to ensure they are less standalone and more corporate given their reliance on each other and in particular on the finance and ICT support needed. All the strategies now refer to the 'Corporate Operating Principles' which act as an operational model for our organisation, describing how we will meet the challenge and deliver on our strategic objectives. The challenge is to use our limited resources as effectively as possible, reducing bureaucracy to free up staff to do their jobs to the best of their abilities while empowering our residents. Our 'Corporate Operating Principles' are a key part of the modernisation strategy being put together by senior managers and staff across the organisation as part of our 'Improvement, Efficiency and Effectiveness' agenda.

Equality is integral to all these strategies and is overarching 'does our strategy ensure that all our customers and staff are treated fairly whatever their age, race, gender, sexuality or abilities'. The Council uses equality impact assessment techniques to review and ensure that policies and service delivery are both fair and equitable.

3) **Measuring the quality of service for users, for ensuring they are delivered in accordance with Bromley's objectives and for ensuring that they represent the best use of reserves:**

We measure our success through a balanced scorecard of:

- Resident perceptions - 'excellent in the eyes of local people'
- Measurable improvements in efficiency, value for money and 'use of resources'
- Local Building a Better Bromley indicators and the Local Area Agreement
- Benchmarks with other comparable councils and in independent assessments
- Extent of delivery of key programmes on time and to budget
- Successful identification and management of key risks to achieving our Building a Better Bromley priorities

The Executive receives a quarterly performance monitoring report 'Are we on track?' which provides Members with an overview of Bromley's council-wide performance. The focus is on the Building a Better Bromley priorities, Member objectives and LAA targets. The report also highlights specific areas of good performance and identifies areas of concern.

4) **Defining and documenting the roles and responsibilities of executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication:**

Member/Officer roles are defined in the Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decision making is efficient, transparent and accountable to local people. The Constitution Improvement Working Group, which was established in 2008, previously examined the role of the full Council meeting and suggested ways to make it more relevant to the interests and concerns of our residents. In their second report, published in January 2009, they recommended reforms to the Portfolio Holder meeting process and as a result the need for more than 40 meetings was eliminated during the year by improving the pre-scrutiny arrangements in the Policy Development and Scrutiny committee meetings.

In their third report 'Proposals for Reform of Leadership, Executive and other functions', published in October 2009, the Working Group made a number of proposals to ensure that the Council's Constitution met the requirements of the Local Government and Public Involvement in Health Act 2007. The Act required all councils to choose from one of two models for its executive arrangements by the end of 2009

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for implementation after the elections in May 2010; either a directly elected mayor and cabinet or a 'new' leader and cabinet. Following a public consultation the Council held a special meeting in December 2009 and formally adopted the 'new' leader and cabinet model, also known as the 'strong leader' model.

Under this system:

- The Council elects a leader for a four year term from amongst the sixty elected councillors, although there is a provision for the full Council to remove the leader during that time.
- The leader appoints the cabinet (or executive), and decides portfolio holder arrangements and responsibilities and any delegation of executive functions.
- The leader is still elected to represent their ward, and so will need to balance this with their wider leadership role.
- The leader must appoint a deputy who will hold office until the end of the leader's term (although the deputy can be removed and replaced mid-term by the leader). This deputy would take up the role of the leader if the leader is unable to act or the office becomes vacant.

Bromley Council is bound by the government's 'Code of Practice on Publicity' in all its dealings including news releases, leaflets, web pages, exhibition material, events, presentations etc. A Communications Working Group was established by the Executive and Resources Policy Development and Scrutiny Committee in May 2009 to ensure that Bromley Council's communications are using all the channels available in the most effective and efficient ways to reach our diverse audiences.

The review included an assessment of what communications the Council needed to undertake to fulfil its statutory obligations, business requirements, and local residents' requirements; and to review this against current provision to recommend the best ways to undertake the tasks required in an effective and cost-effective way.   The Working Group's report 'Receiving you loud and clear' - improving our communications to and from residents, issued in February 2010, included a recommendation that the Council's current media protocols be reviewed. The report is currently under discussion.

5) **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff:**

Bromley has adopted a number of codes and protocols that govern both Member and officer activities which are communicated as part of the induction process and made available via the intranet. These include codes of conduct covering conflicts of interest and gifts and hospitality. This year reflected the increasing emphasis placed on ethical governance issues by key decision makers in Bromley. The Standards Committee had discussions with the Leader of the Council, the Leader of the Liberal Democratic Group and the Chief Executive. In addition the Committee heard from senior officers on the role of Internal Audit, partnership working (including the voluntary sector), planning and development control, and the work of Human Resources including its promotion of anti-bullying measures.

In their annual report the Standards Committee commented that "The Committee has been encouraged to see the personal interest, lead and commitment demonstrated by senior figures on ethical issues, and will be interested in following up how they promote and develop the ethical governance agenda further with their colleagues at all levels."

Bromley was shortlisted for the Standards and Ethics category at the Local Government Chronicle Awards 2010 in recognition of our commitment to communicating standards.

At the request of the Standards Committee information on the Code of Conduct has been included in nomination packs for prospective candidates in the May 2010 local elections and in briefings for candidates and agents. The Standards Committee will also be taking an active role in new councillor

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induction following the election to ensure that, once elected, they are aware of the role the Standards Committee plays in working with them to reinforce positive behaviour at all levels across the Council.

6) **Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:**

The Director of Legal, Democratic and Customer Services (and Monitoring Officer) reviews and updates the constitutional framework including standing orders and the scheme of delegation on a regular basis.

The Scheme of Delegation to Officers sets out formal delegation of various powers to the Council's Chief Officers and their staff, and is normally updated for approval at the Council's annual meeting each year. The General Purposes and Licensing Committee instigated a full review of the Scheme this year to ensure that this meets the requirements of the Local Government and Public Involvement in Health Act 2007, principally by clarifying whether powers are delegated by the Council, by the Leader in the case of executive powers, or both. The amended Scheme is subject to approval by full Council on 19 May 2010.

The Director of Resources (and Section 151 Officer) likewise reviews and updates financial regulations, contract procedure rules and the scheme of delegation (so far as it relates to financial matters), which are incorporated into the Constitution.

Financial Regulations are one of a set of management documents which collectively control and co-ordinate the financial affairs of the Council. Following a consultation process revised Financial Regulations for Schools and Colleges were approved by full council on 29 March 2010 with effect from April 2010.

The Council's Risk Management Strategy is kept under review to reflect current procedures, guidance issued by CIPFA and best practice. This is overseen by the Risk Management Group, chaired by the Assistant Director Audit and Technical, with representation at a senior level from each department, reporting to Audit Sub-Committee. Each departmental representative acts as risk champion for their area to disseminate risk management information and facilitate the identification and assessment of risks.

7) **Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).**

The Statement sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer (CFO) in public service organisations and the organisational arrangements needed to support them.

The CFO in a public service organisation:
1. is a key member of the Leadership Team, helping it to develop and implement strategy and resource and deliver the organisation's strategic objectives sustainably and in the public interest.
2. must be actively involved in, and able to bring influence to bear on, all material decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy.
3. must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:
4. must lead and direct a finance function that is resources to be fit for purpose
5. must be professionally qualified and suitably experienced.

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We confirm that Bromley's financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010). The Director of Resources has the role of Chief Financial Officer.

8) **Undertaking the core functions of an audit committee, as identified in CIPFA's** *Audit Committees - Practical Guidance for Local Authorities***:**

The Audit Sub-Committee is responsible for developing and reviewing all aspects of the Council's arrangements for audit and probity specifically including; financial regulations, fraud prevention, internal and external audit reports (in particular audit plans and monitoring audit delivery) and risk management.

It is a sub-committee of the General Purposes and Licensing Committee.

9) **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:**

The Director of Legal, Democratic and Customer Services (and Monitoring Officer) is responsible for ensuring the lawfulness and fairness of Council decision making, compliance with codes and protocols, and promoting good governance and high ethical standards.

The Director of Resources (and Section 151 Officer) is responsible for the proper administration of the Council's financial affairs, preparing the Council's statement of accounts in accordance with proper practices, keeping proper accounting records and taking reasonable steps to prevent and detect fraud.

Corporate leadership is provided by Chief Officers' Executive, led by the Chief Executive (and Head of Paid Service) who is responsible and accountable to the Council for all aspects of corporate and operational management.

Internal Audit is responsible for conducting audits, using a risk based approach, to highlight any weaknesses throughout the Council.

10) **Whistle-blowing and for receiving and investigating complaints from the public:**

Bromley is committed to the highest possible standards of openness, probity and accountability. The Council's confidential reporting code 'Raising Concerns' sets out how employees and contractors working for the Council on council premises can report their major concerns about any aspect of the Council's work including concerns about Members of the Council. This is designed to enable people to raise concerns without fear of victimisation, subsequent discrimination or disadvantage. The code is widely publicised via posters, internal newsletters, the intranet and on the Council's website. The Director of Legal, Democratic and Customer Services has overall responsibility for maintenance and operation of the code and provides an annual report to the Standards Committee.

In the last year three issues have been reported under the scheme, and the concerns have been dealt with appropriately.

Arrangements are in place for receiving and investigating complaints from the public under the Council's 'Getting it Right' procedures - how to complain, make a suggestion or pay a compliment about a council service. There are separate procedures in place for complaints about social care and housing and complaints about schools. Leaflets and forms are available from enquiry points and libraries. Information is also available on the Council's website. The Chief Executive and Director of Legal, Democratic and Customer Services monitor how complaints are handled within departments. Bromley produces an annual report on 'Getting it Right' together with details of complaints referred to the Local Government Ombudsman.

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From May 2008 all complaints about Bromley councillors have been considered by the Standards Committee in the first instance rather than at national level. The Committee has established structures and procedures for local filtering and hearing of complaints. They monitor the conduct of councillors against their compliance with the Code of Conduct, and any complaints received against them. Over the year, two formal complaints were received, relating to two specific incidents. These were filtered by Initial Assessment Sub-Committees of the Standards Committee. In both cases the Initial Assessment Sub-Committee decided to take no further action.

We also await the outcome of one case which was referred for further detailed investigation by the Standards Board in December 2008 and which has been passed on to the Adjudication Panel (now the First-Tier Tribunal (Local Government Standards, England)) for determination. In all cases we have achieved and published our decision well within the 20 day national target timescale.

In their annual report the Standards Committee commented that "we have received relatively few complaints that have required local filtering; we believe that this is a positive situation, and we do not wish to have to exercise this power more than we need to. As such, we look to our councillors to maintain their excellent record of responsible behaviour."

11) **Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training:**

There is a corporate induction process for Members and officers joining the Council.

Following the May 2010 elections a full programme of induction events has been organised for new councillors. In addition specific training for Members targets areas where local authorities are subject to most challenge. This is supported by a dedicated Member Development site on the intranet.

Officer training needs are identified as part of the annual Performance and Appraisal Development Scheme and there is a comprehensive training programme for all staff. In parallel a 'Managers' Toolkit' site has been developed on the intranet to provide a depository of policies, procedures, guidance and tools to enable all managers across the Council to work more effectively and efficiently.

The Chief Officer Executive has agreed four training and development priorities for the organisation to enable us to achieve our priorities and deliver an even Better Bromley. The priorities are Effective People Management, Strategy and Service Improvement, Personal Effectiveness and Customer Focus.

Every organisation must create its own values and use them to inform and influence other organisational drivers. Bromley has adopted REAL leadership values as the basis for leadership development training for all staff and managers. This is being embedded in our recruitment, performance appraisal and reward and recognition processes. The REAL leadership values are focused around:

Respect, Empower, Ambition, Learn

To support this four generic competencies have been developed to help embed behaviour values. The competences are about the key behaviours that combine with the professional and technical competences to get the job done; Communication, Building Relationships, Continuous Improvement, Responsibility and Accountability.

12) **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:**

A detailed survey was carried out by Facts International during the year on the various aspects of two

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way communication (access into the Council and communications out) between residents and the Council. The top three most frequently used sources of information about the Council are free local newspapers, leaflets delivered to the door and the Council's website. The biggest change, since a previous survey in 2005, has been for the Council's website which is now considered the most useful source of information. However, older residents continue to cite the free local papers and leafleting as the most important source. Residents feel as well informed overall by the Council as they did in 2005, with 57% saying in both surveys that they feel very or fairly well informed.

The proportion of people who say they have contacted the Council in the last 12 months (apart from paying a bill) has risen to 55%, up from 44% in 2005. The main method of contact remains the telephone, although there has been increased use of the website and e-mail. As use of the internet has become more widespread, residents feel more comfortable doing things through the Council's website.

The Communications Working Group of the Executive and Resources Policy Development and Scrutiny Committee recently published their report 'Receiving you loud and clear' – improving our communications to and from residents. In addition our Communications Strategy was revised and updated as part of the foundation strategy review process. Both these will be used to drive forward improvements in how we communicate with our diverse audiences.

A public meeting 'Help set the budget' was held in December 2009 as part of a wider consultation prior to finalising the 2010/11 budget. Topics covered included: resources, sustainability and environment, town centre developments, young people's services and social care/voluntary sector. Consultation papers were also sent to local business representatives for their views and comments including the 20 largest business ratepayers in the borough. In addition, prior to finalising the schools budget the Children and Young People Portfolio Holder consulted Head Teachers, Governors and the Schools Forum.

In all we have carried out 49 consultations this year covering a range of issues including the commissioning of older people's day services, car parking in Bromley, the proposed expansion of four Bromley primary schools, licensing policy enforcement and various customer satisfaction surveys.

The results of the statutory 2008 Place Survey conducted by MORI about local quality of life and public services were released during the year and a summary published on the website. The findings are being used to identify where we need to improve our services. Residents' satisfaction with their local area has increased, with 84% now satisfied compared with 80% in 2007. Less positively, Bromley continues to be perceived as performing relatively less strongly on residents' ability to influence local decisions and on communications. These issues are being addressed as part of improving overall communications.

13) **Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in Bromley's overall governance arrangements:**

The Local Strategic Partnership (LSP) is a broad-based partnership of local organisations representing the views of residents, and the public, private and voluntary sectors of Bromley. The LSP Executive is the body with the ultimate responsibility for monitoring and holding the thematic partnerships to account for delivering against the borough's priorities. Both the LSP and the main thematic partnerships operate under the 'LSP Terms of Reference and Code of Conduct' setting out the ground rules for the operation of the LSP Family. They are designed to support LSP Family members in understanding their roles and responsibilities and in ensuring the business of the LSP is carried out in an effective, professional and transparent way.

As part of their review the Constitution Improvement Working Group has recommended that the Policy, Development and Scrutiny (PDS) committees pre-scrutinise the agendas of the LSP thematic boards in

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their policy area with the chairman of the relevant board expected to attend the PDS meeting. In addition Members appointed as the Council's representatives on outside organisations with a significant role and budget, will be required to provide a short annual written report to the final Council meeting or relevant PDS Committee. Work has also been undertaken on refreshing the Compact which is an agreement between local public bodies and voluntary groups setting out the key principles and values underpinning the statutory / voluntary sector relationship. It makes commitments on both sides, clarifies what partners can expect from each other and how to work together. The shared principles are: Respect, Honesty, Independence, Diversity, Equality, Citizen Empowerment and Volunteering.

Review of Effectiveness

Bromley has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Officer Executive, which is the officer managerial board within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, the Policy Development and Scrutiny annual report, the Standards Committee annual report and also by comments made by the external auditors and other review agencies and inspectorates.

As part of this review the Assistant Directors have completed and signed an Assurance Statement in relation to their own service areas. In turn each Chief Officer has reviewed the effectiveness of key controls, using a detailed checklist, to provide an overall Assurance Statement for their own directorates.

The governance framework and internal control environment encompasses all the organisation's policies, procedures and operations in place. At Bromley this is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

The process of maintaining and reviewing the effectiveness the governance framework including the system of internal control includes the following elements:

Corporate Framework

Bromley's plans outline how we will deliver our priorities and include specific actions and targets that allow us to measure our level of success. Some plans are produced in partnership with other agencies, which help us to focus our resources. The planning framework is arranged under portfolio headings. We currently operate with a Leader and an Executive. The Council maintains the policy and budgetary framework and appoints the Executive. In 2009/10 this contained the Leader and eight Executive members. Six majority members of the Executive were responsible for their portfolios. Each portfolio holder annually outlines, in a 'portfolio plan', their aims over the coming three years, and what they will be doing towards achieving their goals and their performance targets.

Under the Local Government and Public Involvement in Health Act 2007, the Council has adopted the 'new' leader and cabinet system also known as the 'strong leader model' with effect from April 2010. The Leader will personally control all decisions about the Council's executive functions. They can then choose whether to make all decisions personally, or to make arrangements for others to do so (for example, the cabinet, an individual member of cabinet, or certain senior officers).

Formulation of policies and decision making

Policy and decision-making are managed and controlled within a strong well-established framework. The Council's written constitution sets out in detail how the council operates, how decisions are made and the procedures to be followed to ensure efficiency, transparency and accountability. The Constitution

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Improvement Working Group has proposed a number of changes to the Constitution this year in response to the 2007 Act. Political and management control is exercised through the Executive who work to defined and established processes.

Compliance with policies, laws and regulations

Compliance with policies, laws and regulations is dealt with through a range of written rules and procedures which are regularly reviewed and updated. These include the Constitution, Financial Regulations, Codes of Conduct, and the Anti-Fraud and Corruption Strategy.

Performance management

Performance management in Bromley is considered through a range of review arrangements including external inspection bodies, external/internal audit reviews and the detailed monitoring and reporting of national and local performance indicators.

The Improvement, Efficiency and Effectiveness programme provides a planning/budget framework to support divisional, departmental and cross-cutting efficiencies and provides specific reviews to Members and Chief Officers. The work is governed by the Improvement and Efficiency Sub-Committee who are responsible for developing and implementing a Council strategy to achieve greater improvement and efficiency. A quarterly integrated performance monitoring report, 'Are we on track?' is sent to all Members.

Financial management

The financial management of the authority is organised through a wide range of well-established processes and procedures which delivers strong financial control arrangements. Bromley has in place a strategic budget planning process which includes detailed written procedures and which is supported by comprehensive financial regulations and procedures. Members and Chief Officers receive and consider detailed financial information on a regular basis and this facilitates the political decision-making process.

Policy Development and Scrutiny Committees

There are six Policy Development and Scrutiny (PDS) Committees who have a major role in policy development and pre-scrutinising the decisions of the Executive. They have no decision making powers but make reports and recommendations which advise the Executive and the Council as a whole on its policies, budget and service delivery. PDS Committees also monitor the decisions of the Executive. Any five Members can challenge or 'call-in' a decision that has been made by the Executive. This enables them to consider whether the decision of the Executive was appropriate. They may recommend that the Executive reconsider the decision. They may also be consulted by the Executive or the Council on forthcoming decisions and the development of policy.

This has been the first year of the new arrangements whereby there are usually no Portfolio Holder meetings but the appropriate PDS committee discusses the proposed decisions of the Portfolio Holder (PH) and makes recommendations to the PH. The PH then states whether the recommendations will be followed and later makes a decision without the need for a separate meeting. If the PH does not agree with the recommendation then a meeting will be held open to the public. The Executive and Resources PDS Committee has an over-arching, coordinating role on behalf of the other five PDS Committees and provides an Annual Report to full Council summarising the work that has been carried out during the year.

The Audit Sub-Committee

The Audit Sub-Committee has the responsibility for developing and keeping under review all aspects of the

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Council's arrangements for audit and probity specifically including:

- Financial regulations
- Fraud prevention
- Internal and external audit
- Risk management

Internal audit reports all significant weaknesses to management and Members in the form of prioritised recommendations. All such recommendations are followed up for implementation or appropriate management action.

The Standards Committee

The Standards Committee has responsibility for promoting and maintaining high standards of behaviour within the authority with respect to all aspects of ethical conduct including member conduct. During the year the membership of the Committee was increased by an additional independent member, and two additional councillors. The Committee now has a membership of 10 of whom 5, including the Chairman, are independent members. The Committee provides an Annual Report to full Council including details of its forward programme of work.

Chief Financial Officer

The role of CFO is performed by the Director of Resources (and Section 151 Officer). He is a member of the Chief Officers' Executive and is responsible for ensuring the proper management of all Bromley's financial affairs. He also deputises for the Chief Executive when he is absent or unable to act.

Internal Audit

Internal audit is an independent appraisal function that acts as a control that measures, evaluates and reports upon the effectiveness of internal controls, financial and others, as a contribution to the efficient use of resources within the authority.

Internal Audit's service aims are to:

- independently review and appraise systems of control throughout the authority and its activities
- ascertain the extent of compliance with procedures, policies, regulations and legislation
- provide reassurance to management and Members that their agreed policies are being carried out effectively
- facilitate good practice in managing risks
- recommend improvements in control, performance and productivity in achieving corporate objectives
- work in partnership with the external auditors
- identify fraud as a consequence of its reviews and to deter crime

An Annual Audit Plan is used to map out the cyclical coverage of fundamental financial systems and other audits. The plan is based on the identification of the Council's systems and activities to be audited, each assessed for risk. Work relating to prevention and detection of fraud and corruption is integrated into this audit planning process.

Internal Audit operates to defined standards as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government. The effectiveness of the system of the system of Internal Audit is measured by compliance with this code and peer reviews. Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal financial

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control. Each audit is reported to the appropriate level of management together with agreed action plans where appropriate. The supporting summaries of audit reports help inform the overall assessment of internal financial controls. The Chief Internal Auditor is empowered to report any matter of concern directly and independently, to the Chief Executive, the Chairman of Audit Sub-Committee or the Leader of the Council, if necessary.

External Inspections

The Audit Commission assessed the Council's performance under the new Comprehensive Area Assessment (CAA) as follows:

"Overall Bromley Council performs well and is doing well in improving the things which are its priorities. The Council's priorities are clear and ambitious for the area, and reflect local people's needs well."

Managing performance	3 out of 4
Use of resources (see 3 components below)	3 out of 4
Managing finances	3 out of 4
Governing the business	3 out of 4
Managing resources	3 out of 4

   3 = An organisation that exceeds minimum requirements - Performs Well

This is a strong score, particularly as the 2009 assessment is new and is designed to be a harder test.

Under the new arrangements Children's Services was rated as 3 - Performs Well and Adult Social Care as 2 - Performs Adequately.

During the last year the Council has received the following assessments from other inspectorates:

Care Quality Commission – Safeguarding Adults; Increased choice and control for older people
Performing adequately in safeguarding adults.
Performing adequately in supporting increased choice and control.
In conclusion the capacity to improve was promising.

Customer Service Excellence standard – Environmental Services Department
"Environmental Services were found to have maintained a deep understanding and a commitment to Customer Service Excellence. The commitment was found from Senior Management levels through to operation and front line staff."

Lexcel standard – Legal Services
Assessed as having a good level of compliance.

Ofsted – Bromley Adoption Agency
Rated as good – "This is a good service, and one in which the commitment of staff to good outcomes for children is clearly evident."

Ofsted – Children Social Care Services (Contact, Referral and Assessment Arrangements)
"Safeguarding arrangements are secure, well-established and effective with clear-decision making and timely action to ensure children's safety and well-being."

The Registrar General – Registrars
Rated as excellent, on both technical service delivery and on customer service.

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Youth Justice Board – Youth Offending Team Partnership (re-inspection)
"Good prospects for improvement"

Action plans to address any issues identified within these services are in place or under development.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Risk Management Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Governance Issues

Good progress has been made on the outstanding control issues identified in previous years. These are no longer considered as significant and now form part of the general ongoing work programme:

Governance Issue	Current Position
The need to ensure that risk management is fully embedded throughout the Council. The need to ensure that key partnership risks are identified and shared amongst all parties.	Actions completed • Dedicated risk management site on the intranet • Improvements to risk register to provide links to toolkit and corporate risks • Improvements to risk reporting in the 'Are we on track?' quarterly performance monitoring report
	Actions in Progress • Rolling programme of training and awareness • Work with Partnership Officer Group on finalising risk registers for the thematic partnerships and the LSP • Review of Risk Management strategy
Full implementation of a practical procurement strategy including strengthening contract management arrangements.	Actions Completed • Corporate training on the use of new Contract Procedure Rules • Foundation review outcomes incorporated in to the Procurement strategy • Work on sustainability; the use of whole life costing in decision making and SME engagement
	Actions in Progress • Monitor changing relationship with PCT • Review changing legislation for agency staff
Business continuity plans – including work on developing service continuity plans and development of an affordable disaster recovery plan.	Actions Completed • Review of issues arising from Exercise Coldplay (Flu Pandemic) including update of action plans. Follow-up exercise run by PCT in November 2009. • Work on ensuring each business area has a designated plan including a Business Impact Analysis and Business Continuity Plan (BCP) • Workshops run for staff and external contractors to enhance their BCP programmes
	Actions in Progress • Review existing BCPs as part of overall Business Continuity Management programme • Review of BCPs for main contractors and evidence of testing

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Governance Issue	Current Position
Greater and consistent use of sound project and programme management disciplines.	**Actions completed**
	• Training course developed and delivered in-house • Corporate programmes all now rationalised under Chief Executives' department • Health check methodology completed and carried out on the OneWay Programme
	Actions in Progress
	• Ensuring that the methods and support tools are used consistently
Existing code of corporate governance needs to be reviewed to reflect the principles of the new CIPFA/SOLACE *Delivering Good Governance in Local Government* framework and to ensure best practice.	**Actions completed**
	• Revised Code of Corporate Governance adopted
	Actions in Progress
	• Update of Code to incorporate new Chief Financial Officer requirements • Annual review
Develop partnership risks and governance arrangements to ensure a uniform approach based on good practice.	**Actions completed**
	• Training for Partnership Officer Group on risk management • Risk registers for CYP Trust and Health, Social Care and Housing Partnership approved
	Actions in Progress
	• Finalising risk registers for the Economic Partnership, Safer Bromley and the LSP

No further significant control issues have been identified during the current review.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed ....   Signed ………………………………..

Chief Executive   Leader of the Council

Date ……………………………….   Date ………………………………….

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Risk Ref	Corporate Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Category	Risk Owner	Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Score	Existing Controls and Proposed Actions	Net Impact	Net Likelihood	Net Risk Rating	Net Score
ACS/ALL.0295	2	Adult and Community Services	All ACS Divisions	All ACS Sections	LAA reward targets not met with the result that the maximum possible reward will not be achieved:- L1323 Older people having care planning intervention who feel better in four quality of life areas - £462k L1324 Older people helped to live at home by accessing non care managed support - £198k L1328 No. of people achieving a 5% reduction in body weight - £677k L1329 Adults aged 16 and over participating in moderate sport / active recreation - £720k L1361 Caseload of Penge Very High Intensity Users - £165k L1362 Reduction of admissions for people with pre-existing conditions - £495k Financial - Operational	Financial - Operational	ACS DMT	4	3	High	19	**Controls:** 1. All reward targets are monitored on a quarterly basis by the ACS DMT 2. All target leads are asked to explain performance and plan further actions --- **Actions:** - Recovery plan in place for obesity stretch target	4	3	High	19
CX/COM.0007	10	Chief Executive's	Communications	Communications	Failure to handle crisis communications in a major incident correctly Political - Strategic	Political - Strategic	Director CX	4	2	High	18	**Controls:** 1. Emergency plan 2. Close liaison with Emergency Services 3. Liaison with team, periodic refresher training 4. Well trained senior spokespeople 5. Learning from London Resilience Team, Home Office Guidance etc. --- **Actions:** - Regular refresher sessions on communications issues with wider team - Assessment of communications training needs of senior plan officers / spokespeople - Review of resources available to staff communications activities (media, public helplines etc.)	4	2	High	18
CX/IEE.0171	1	Chief Executive's	Corporate Strategy and Improvement	Improvement, Effectiveness and Efficiency	Failure to strengthen programme and project management arrangements across the Council Political - Strategic	Political - Strategic	Bill Ford	4	3	High	19	**Controls:** 1. Continual monitoring of progress on development of corporate methodology and inclusion of best practice in training developed --- **Actions:** - Methodology and governance structure designed and made accessible via managers toolkit - Programme managers network established - Programme Board oversees cross cutting programmes - Assurance health check methodology designed and implemented	4	3	High	19

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Risk Ref	Corporate Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Category	Risk Owner	Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Score	Existing Controls and Proposed Actions	Net Impact	Net Likelihood	Net Risk Rating	Net Score
CYP/A&A.0175	2	Children and Young People	Access and Inclusion	Access and Admissions	Failure to achieve LAA Reward Grant of £118,800 for improving attendance at 10 identified primary schools - significant reduction in unauthorised absence required. Children and Young People Reward Target (Reducing Absences): L1292-LAA Reward Target 2. Although attendance figures are improving, we are very unlikely to get under the target of 5.4%. 2009/10 target = 5.4% (authorised and unauthorised absence in the 10 schools as a % of all pupils in the 10 schools). Final reporting for this Reward Target in quarter 4. Financial - Operational	Financial - Operational	AD Access and Inclusion	4	4	**High**	20	Controls: 1. Regular monitoring of performance against target reported to SMT, Trust Board and Members. As at quarter 3 remains outside target and remains Red RAG Rating. -- Actions: - Increased focus on improving attendance at the 10 identified primary schools via implementation of incentive schemes, e.g. Spike Initiative which promotes a positive attitude to attendance at school - scheme extended to all primary schools 2009. - Seek additional funding through sponsorship. - Ensure ongoing media coverage of events and activities within the 10 schools and across the borough. - Maintain partnership with Sunderland Council (SPIKE initiative).	4	3	**High**	19
CYP/A&A.0257	2	Children and Young People	Access and Inclusion	Access and Admissions	Failure to achieve LAA Target for improved pupil attendance across all primary schools. Acceptable levels of attendance at other schools decrease as a result of Education Welfare Officer resources being targeted at the 10 Primary Reward Target schools. Financial - Operational	Financial - Operational	AD Access and Inclusion	4	4	**High**	20	Controls: 1. Continue to monitor absence data for all primary schools 2. Multi-agency work to target and support primary school attendance 3. Ensure primary schools apply consistent interpretation of authorised absence 4. Remains Red flag rating as at quarter 3 -- Actions: - Ensure maintenance of basic service provision for all schools - Intro of Incentive Schemes in primary schools - Roll out Spike initiative to all schools during academic year 2009/10	4	3	**High**	19

Risk Ref	Corporate Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Category	Risk Owner	Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Score	Existing Controls and Proposed Actions	Net Impact	Net Likelihood	Net Risk Rating	Net Score
CYP/A&A.0350 (cont.)	2	Children and Young People	Access and Inclusion / Children's Health Services (PCT)	Access and Admissions / Health and Well-Being (PCT)	Inability to improve the health of children and young people through failure to reduce teenage pregnancy, sexually transmitted infections and abortions. Reduction in under 18 conception rate is a LAA Mandatory Outcome / Indicator. We are highly unlikely to achieve the 2009/10 target which is acknowledged by the Teenage Pregnancy Unit as challenging. Out of 150 LAs, only 16 are on target, with 32 on Red (unlikely to achieve target). Of these 32, 12 are London Authorities, including Bromley. 2009/10 target = 20.8 per 1000 15-17 year olds conceptions. Actual = 35.8 per 1000 (Quarter 1, 2009/10) 42 per 1000 (Quarter 2, 2009/10) 37.5 per 1000 (Quarter 3, 2009/10) (Joint risk with Children's Health Services see CYP/PCT.0258) Social - Strategic RISK SPLIT OVER 2 ROWS AS CELL FOR EXISTING CONTROLS AND PROPOSED ACTIONS CANNOT BE EASILY READ ON SCREEN	Social - Strategic	AD Access and Inclusion / AD Children's Health Services (PCT) /	4	4	High	20	Controls: 1. Monitor the impact of the Teenage Pregnancy Strategy. 2. Closely monitor performance against targets. As at quarter 3 remains outside target and remains Red RAG rating. 3. Regular reporting of performance to CYP SMT, CYP Trust Board and Council Members. --- Actions: - Improve the impact of the Teenage Pregnancy Strategy. - Focus on targeted work with vulnerable groups; Children in Care, young people known to YOT, those in Pupil Referral Units to ensure those most at risk have additional support. - Wider accessibility of the Emergency Hormonal Contraception provided from July 2009. - Enrichment days have been extended to all secondary schools and the Pupil Referral Service. - Enrichment days have been adapted to address the impact of abortions. - A media studies group in a secondary school is producing a DVD on the benefits of 'delay' and the consequences of teenage pregnancy. - Greater use has been made of web sites aimed at young people to provide information about services including the 'Young Bromley' website. - The booklet 'Talking to your Child about Sex' has been distributed to parents in a number of schools. - Sexual health advisory packs distributed to LAC. (cont.)	4	3	High	19
CYP/A&A.0350 (cont.)	2	Children and Young People	Access and Inclusion / Children's Health Services (PCT)	Access and Admissions / Health and Well-Being (PCT)	Inability to improve the health of children and young people through failure to reduce teenage pregnancy etc. (cont.) RISK SPLIT OVER 2 ROWS AS CELL FOR EXISTING CONTROLS AND PROPOSED ACTIONS CANNOT BE EASILY READ ON SCREEN	Social - Strategic	AD Access and Inclusion / AD Children's Health Services (PCT) /	4	4	High	20	(cont.) - The LAC nurse is providing sex and relationship training to LAC and foster carers. - All secondary schools have health notice boards, aimed at 6th formers to promote health related messages and provide service information. - Increase access to Long Acting Reversable Contraception (LARC). - Targetted work to prevent teenage pregnancy in areas of the Borough where teenage pregnancy is at its highest.	4	3	High	19
CYP/ALL.0247	1	Children and Young People	All CYP Divisions	All CYP Sections	The 2010 inspection ratings for individual CYP Services and the overall Children's Services rating drop from their current levels, thereby adversely affecting the Council's 2010 Comprehensive Area Assessment (CAA) rating. The current Children's Services Rating attained in December 2009 is 3 ('Performs Well'), on a 4 point scale. Full inspection of Bromley's Safeguarding and Looked After Children services announced 25 March 2010 Professional - Operational	Professional - Operational	Director CYP	4	3	High	19	Controls: 1. Robust performance management at manager, Member and Trust Board level 2. Learning from other local authorities 3. Good project management and achievement of key milestones --- Actions: - Strengthen areas of weakness - CYP Plan achieves desired outcomes - Strive for 'outstanding' judgements in 2010 inspections through robust monitoring and review of service provision and good preparation for scheduled inspections	4	2	High	18

Risk Ref	Corporate Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Category	Risk Owner	Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Score	Existing Controls and Proposed Actions	Net Impact	Net Likelihood	Net Risk Rating	Net Score
CYP/ALL.0351		Children and Young People	All CYP Divisions	All CYP Sections	Significant staff absence due to flu pandemic (e.g swine-flu) resulting in a failure to deliver critical services Personnel - Operational	Personnel - Operational	Director CYP	5	3	High	23	**Controls:** 1. Business Continuity Plans need to be in place for all Critical Services **Actions:** - Ensure all Critical Services have BCPs - Tests BCPs to ensure validity	4	3	High	19
CYP/ALL.0185	7	Children and Young People	All CYP Divisions	All CYP Sections	Dependency on specific grant funding to provide services - effect if grant ceases Economic - Strategic	Economic - Strategic	Director CYP	4	4	High	20	**Controls:** 1. Need to ensure Bromley remains at forefront of attracting grant funding opportunities 2. Services to be provided in line with CYP agreed priorities (BBB and CYP Plan) --- **Actions:** - Any grant fall out to be identified in the Council's 4 year financial strategy - Exit strategies to be developed where appropriate	4	3	High	19
CYP/PCT.0258 (cont.)	2	Children and Young People	Children's Health Services (PCT) / Access and Inclusion	Health and Well-Being (PCT) / Access and Admissions	Inability to improve the health of children and young people through failure to reduce teenage pregnancy, sexually transmitted infections and abortions. Reduction in under 18 conception rate is a LAA Mandatory Outcome / Indicator. We are highly unlikely to achieve the 2009/10 target which is acknowledged by the Teenage Pregnancy Unit as challenging. Out of 150 LAs, only 16 are on target, with 32 on Red (unlikely to achieve target). Of these 32, 12 are London Authorities, including Bromley. 2009/10 target = 20.8 per 1000 15-17 year olds conceptions. Actual = 35.8 per 1000 (Quarter 1, 2009/10) 42 per 1000 (Quarter 2, 2009/10) 37.5 per 1000 (Quarter 3, 2009/10) (Joint risk with Access and Inclusion see CYP/A&A.0350) Social - Strategic RISK SPLIT OVER 2 ROWS AS CELL FOR EXISTING CONTROLS AND PROPOSED ACTIONS CANNOT BE EASILY READ ON SCREEN	Social - Strategic	AD Children's Health Services (PCT) / AD Access and Inclusion	4	4	High	20	**Controls:** 1. Monitor the impact of the Teenage Pregnancy Strategy. 2. Closely monitor performance against targets. As at quarter 3 remains outside target and remains Red RAG rating. 3. Regular reporting of performance to CYP SMT, CYP Trust Board and Council Members. --- **Actions:** - Improve the impact of the Teenage Pregnancy Strategy. - Focus on targeted work with vulnerable groups; Children in Care, young people known to YOT, those in Pupil Referral Units to ensure those most at risk have additional support. - Wider accessibility of the Emergency Hormonal Contraception provided from July 2009. - Enrichment days have been extended to all secondary schools and the Pupil Referral Service. - Enrichment days have been adapted to address the impact of abortions. - A media studies group in a secondary school is producing a DVD on the benefits of 'delay' and the consequences of teenage pregnancy. - Greater use has been made of web sites aimed at young people to provide information about services including the 'Young Bromley' website. (cont.)	4	3	High	19
CYP/PCT.0258 (cont.)		Children and Young People	Children's Health Services (PCT) / Access and Inclusion	Health and Well-Being (PCT) / Access and Admissions	Inability to improve the health of children and young people through failure to reduce teenage pregnancy etc. (cont.) RISK SPLIT OVER 2 ROWS AS CELL FOR EXISTING CONTROLS AND PROPOSED ACTIONS CANNOT BE EASILY READ ON SCREEN		AD Children's Health Services (PCT) / AD Access and Inclusion	4	4	High	20	(cont.) - The booklet 'Talking to your Child about Sex' has been distributed to parents in a number of schools. - Sexual health advisory packs distributed to LAC. - The LAC nurse is providing sex and relationship training to LAC and foster carers. - All sec schools have health notice boards, aimed at 6th formers to promote health related messages and provide service information. - Increase access to Long Acting Reversable Contraception (LARC). - Targetted work to prevent teenage pregnancy in areas of the Borough where teenage pregnancy is at its highest.	4	3	High	19

Risk Ref	Corporate Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Category	Risk Owner	Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Score	Existing Controls and Proposed Actions	Net Impact	Net Likelihood	Net Risk Rating	Net Score
CYP/149.0264	2	Children and Young People	Learning and Achievement	14-19 Strategy	Failure to achieve LAA Reward grant of £660k for improved post-16 level 3 average point score per pupil so that it equals and then rises above the national average. (The measure is the difference between the Bromley and the National figure). CYP Reward Target (Attainment - Post 16) L1298 - LAA Reward Target 1. We are very unlikely to achieve this target. 2009/10 target = +2. Q3 actual = -20.5. Final reporting of the Reward Target in quarter 4. Financial - Operational	Financial - Operational	AD Learning and Achievement / Director 14-19 Strategy	4	4	High	20	**Controls:** 1. Regular monitoring of performance against target. As at quarter 3 remains outside target and remains Red RAG rating. -- **Actions:** - Implementation of strategies and support to achieve target. - Targeted support to individual secondary schools or colleges and improved use of data; 3 had Action Plans in place for improvements in 2009. - The movement away from the target was impacted heavily by the drop in results in 2 of the larger 6th forms. The results in these 2 schools are being analysed to identify any possible concerns.	4	3	High	19
CYP/SAA.0265	2	Children and Young People	Learning and Achievement	Standards and Achievement	Failure to achieve LAA Reward grant of £541,200 (English £270,600, Maths £270,600) by not reaching the target for an increase in the percentage of 11 year olds achieving Level 4 or above in English and Maths for 10 identified primary schools. Children and Young People Reward Target (Attainment - Key Stage 2). L1332 - LAA Reward Target 2 (this target relates to the LAA Reward for reducing absences in the 10 identified primary schools (see 0175)). We are very unlikely to achieve this target. 2009/10 target = 86% (Eng), 84% (Maths). Quarter 3 actual = 72% (Eng), 71% (Maths) Final reporting of this Reward Target in quarter 4. Financial - Operational	Financial - Operational	AD Learning and Achievement	4	4	High	20	**Controls:** 1. Regular monitoring of performance against target. As at quarter 3 remains outside target and remains Red RAG rating. -- **Actions:** - Implement strategies to raise individual pupil attainment. - Ensure school's consistent interpretation of authorised absence. - Maintain progress of Promoting Positive Behaviour Strategy - Working partnership with 'London Challenge' to support specific schools - 'Intervention' support for the other schools - Department for Children, Schools and Families (DCSF) initiative for 1:1 tuition at Year 6 commenced summer 2009	4	3	High	19
CYP/SSC.0178 (cont.)	3	Children and Young People	Safeguarding and Social Care	All Safeguarding and Social Care Sections	Failure to recruit and retain suitably qualified staff in sufficient numbers (national problem which particularly affects London and the South East): - budget instability arising from costly agency placements - undermine performance against KPIs - maintaining current levels of service whilst: (a) implementing the ECM agenda (b) dealing with an increase in caseloads following the 'Baby P' Haringey Child Protection Case in Autumn 2008 Personnel - Operational RISK SPLIT OVER 2 ROWS AS CELL FOR EXISTING CONTROLS AND PROPOSED ACTIONS CANNOT BE EASILY READ ON SCREEN	Personnel - Operational	AD Safeguarding and Social Care	4	3	High	19	**Controls:** 1. Regular monthly review of staffing positions with HR 2. Adhere to HR recruitment retention strategies 3. Strict monitoring of supervision and appraisal 4. Close monitoring of performance data for individual teams for action by managers 5. Positive management through targeted recruitment strategies, with particular focus on the West District 6. Monitoring by the Heads of Service and SMT -- **Actions:** - Re-structuring of teams to reduce the frequency of change in Social Workers - Regular briefing and information sharing - Recruitment of Social Workers from USA - Update recruitment and retention strategies - Inter-agency management development - Resource allocated to Common Assessment Framework rollout - Management action to ensure that a high proportion of social work posts are filled by permanent staff. - Explore further the use of 'New Media' for staff recruitment, to ensure appropriate targeting of advertisements and the widest pool of applicants. (cont.)	4	2	High	18

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CYP/SSC.0178 (cont.)		Children and Young People	Safeguarding and Social Care	All Safeguarding and Social Care Sections	Failure to recruit and retain suitably qualified staff in sufficient numbers (national problem which particularly affects London and the South East): (cont.) RISK SPLIT OVER 2 ROWS AS CELL FOR EXISTING CONTROLS AND PROPOSED ACTIONS CANNOT BE EASILY READ ON SCREEN		AD Safeguarding and Social Care	4	3	High	19	(cont.) - Report to 19/01/10 CYP PH and 02/02/10 Executive meetings titled 'Recruitment and Retention of Children's Social Work Staff'. The Report contains proposals for: (a) Improvements to the existing Recruitment and Retention package to make it more competitive (b) Strengthening the capacity of the Children's Social Care Services to address the increase in volumes (c) Strengthening the capacity of Legal Services to address statutory functions in relation to Child Care Proceedings.	4	2	High	18
ENV/SDS.0209	6	Environmental Services	Strategy Development & Services	All SDS Sections	Failure to implement and keep up-dated effective council-wide Business Continuity Plans Reputational - Strategic	Reputational - Strategic	Steven Lewis	4	3	High	19	Controls: 1. Key critical systems identified 2. Updating Business Continuity Plan and database (Civil Contingencies Act 2004) 3. Emergency Planning and Business Continuity training -- Actions: - Individual service continuity plans need updating - Contractors' BCPs checked	4	2	High	18
ENV/STS.0131	6	Environmental Services	Street Services	All STS Sections	Failure to adequately conduct Winter Maintenance resulting in road network blocked, car accidents, pedestrian falls Environmental - Operational	Environmental - Operational	Paul Symonds	4	2	High	18	Controls: 1. Winter Maintenance procedures (gritting / salting) -- Actions: - Ensure policies / procedures are followed	4	2	High	18
ENV/STS.0157	6	Environmental Services	Street Services	All STS Sections	Operational Emergencies (e.g. extreme heat, storms, floods, snow) Physical - Operational	Physical - Operational	Paul Symonds	5	2	High	22	Controls: 1. Emergency Plan -- Actions: - Cross discipline trained Local Authority Liaison Officers - Invicta out of hours service - published number and escalation procedure	4	2	High	18
ENV/TRA.0145	3	Environmental Services	Transportation Planning	All TRA Sections	Transport Strategy: Lack of key skills to enable contribution to the development of Bromley Town Centre Area Action Plan, completion of the traffic model for Bromley Town Centre and input to major developments Reputational - Strategic	Reputational - Strategic	AD Highways and Transportation	4	4	High	20	Controls: 1. Identified resources required to enable the contribution -- Actions: - Need to agree provision of resources / finance	4	2	High	18
LDS/ALL.0099	1	Legal, Democratic and Customer Services	All LDS Divisions	All LDS Sections	Failure to meet the current and changing needs of customers; risk of censure at local and CAA level Customer / Citizen - Strategic	Customer / Citizen - Strategic	Director LDS / Sheila Bennett	4	3	High	19	Controls: 1. Systematic consultation 2. Robust internal customer service standards 3. Continuous learning and feedback -- Actions:	4	2	High	18
LDS/ALL.0077	8	Legal, Democratic and Customer Services	All LDS Divisions	All LDS Sections	Breach of statutory obligations through failure of compliance with relevant legislation (e.g. Freedom of Information, Health and Safety, Disability Discrimination) Legal - Operational	Legal - Operational	All LDS managers	5	2	High	22	Controls: 1. Register of all relevant statutory requirements 2. Regular review of compliance 3. Effective training of managers in requirements of relevant legislation -- Actions: - Identify, document and review all relevant statutory requirements - Identify and train all staff responsible for meeting statutory requirements	4	2	High	18

Risk Ref	Corporate Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Category	Risk Owner	Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Score	Existing Controls and Proposed Actions	Net Impact	Net Likelihood	Net Risk Rating	Net Score
LDS/ALL.0075	3	Legal, Democratic and Customer Services	All LDS Divisions	All LDS Sections	Failure to deliver project stated aims within timescale or budget as a result of project management failings Personnel - Operational	Personnel - Operational	All LDS managers	4	3	High	19	**Controls:** 1. Effective training in project management techniques -- **Actions:** - Identify key management staff - Through PADS/PRP, identify need for and provide project management training	4	2	High	18
LDS/ELR.0127	8	Legal, Democratic and Customer Services	Democratic and Customer Services	Electoral Services	Failure to successfully manage the election process of a Parliamentary, Local or other election or referendum, resulting in an election petition Political - Strategic	Political - Strategic	Carol Ling	4	3	High	19	**Controls:** 1. Project Plan 2. Staff Training 3. Adequate insurance -- **Actions:**	4	2	High	18
R&R/LEG.0296	2	Renewal and Recreation	Local Economy and Regeneration	All LEG Sections	LAA reward targets not met with the result that the maximum possible reward will not be achieved Vibrant Thriving Town Centres reward target (People into Employment (PiE): L1378 The number of Bromley residents in receipt of an incapacity or Lone Parent related benefit for 6 months or more, supported into sustained employment by the London Borough of Bromley worklessness initiative - £435,000 Financial - Operational	Financial - Operational	Mary Manuel	4	3	High	19	**Controls:** 1. Meetings taking place with partners on a one-to-one basis to identify and overcome issues of monitoring to capture fuller information and ensure effective referrals and targeted initiatives to support People into Employment (PiE) clients 2. Two London Councils' European Social Fund (EFF) projects co-financed by Bromley and due to start March/April 2009 3. People into Employment action plan to be reviewed regularly by the steering group 4. Close working with Jobcentre Plus (JCP) to maximise links with major job opportunities, Tesco's (Orpington) recruitment to include open days aimed at People into Employment (PiE) clients -- **Actions:**	4	3	High	19
R&R/TCD.0281	9	Renewal and Recreation	Town Centre Project	Town Centre Development	Failure to secure development on key sites due to the downturn in the economy Economic - Strategic	Economic - Strategic	Kevin Munnelly	4	4	High	20	**Controls:** 1. Renewal team to proactively seek to broker developer interest -- **Actions:** - In tandem with emerging Area Action Plan (AAP) to continue dialogue with interested parties, development agents and consultants	4	4	High	20
R&R/TCD.0306	1	Renewal and Recreation	Town Centre Project	Town Centre Development	Failure to submit Area Action Plan (AAP) or rejection of AAP by inspector due to lack of up to date core strategy Political - Strategic	Political - Strategic	Kevin Munnelly	4	4	High	20	**Controls:** Working closely with Local Planning Authorities (LPA) to ensure 'catch up' -- **Actions:**	4	4	High	20
RD/ALL.0301	9	Resources	All RD Divisions	All RD Sections	Failure to ensure the confidentiality, integrity, and availability of information assets: 1. Distress and/or physical impact on wellbeing of customers 2. Impact on operational integrity 3. Reputational damage to services and the authority as a whole 4. Liability in law 5. Economic damage to authority and/or customers 6. Impact on service take up due to reduced confidence from the public Data and Information - Operational	Data and Information - Operational	Laurie Carter	4	3	High	19	**Controls:** 1. Compliance with the ISO27000 best practice standard is the generally approved method of managing the complexities of information security risk -- **Actions:** - The LBB Network Remediation project, and LBB IA program are between them set to achieve compliance with the ISO27000 standard by Q3 2009	4	3	High	19

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RD/TEC.0298	9	Resources	Audit and Technical	Technical	Banking failure Financial - Operational	Financial - Operational	Mark Gibson	5	4	High	24	**Controls:** 1. Annual investment strategy 2. Review of counterparty list 3. Monitoring via Butlers --- **Actions:** - Reports to Executive - Reports to Portfolio Holder - Detailed review of approach - Intensified monitoring of position	5	4	High	24
RD/TEC.0299	10	Resources	Audit and Technical	Technical	The Pension Fund does not have sufficient resources to meet all liabilities as they fall due: 1. Investment markets fail to perform in line with expectations 2. Market yields move at a variance with assumptions 3. Investment managers fail to achieve their targets over the longer term 4. Longevity horizon continues to expand 5. Deterioration in pattern of early retirements 6. Changes to regulations e.g. more favourable benefits package 7. Administering authority unaware of structural changes in an employer's membership e.g. large fall in employee members, large number of retirements Financial - Operational	Financial - Operational	Director RD	5	3	High	23	**Controls:** 1. Financial: Monitoring of investments returns - analysis of valuation reports 2. Demographic: Longevity horizon monitored at triennial reviews - quarterly review of retirement levels 3. Regulatory: Monitor draft regulations and respond to consultations - acturial advice on potential 4. Governance: Encourage other employers to keep Council informed of changes. Bromley Mytime employer's contribution rate to be reviewed annually towards end of contract --- **Actions:**	4	2	High	18
RD/TEC.0300	7	Resources	Audit and Technical	Technical	Failure to manage and control Treasury Management activities: Liquidity, Interest rate, Exchange rate, Inflation, Credit and counterparty, Refinancing, Legal and regulatory risks Financial - Operational	Financial - Operational	Director RD	5	3	High	23	**Controls:** 1. Regular review meetings 2. Use of external advisors 3. Internal Audit review of activities 4. Reporting to Members --- **Actions:** - Periodic reviews of approach in light of economic downturn	5	3	High	23
RD/TEC.0305	9	Resources	Audit and Technical	Technical	Capital income shortfall due to a reduction in capital receipts and delays in disposals as a result of the economic downturn Economic - Strategic	Economic - Strategic	Director RD	5	3	High	23	**Controls:** 1. Close monitoring of spend and income 2. Reporting to Members 3. Tight control of spending commitments --- **Actions:**	5	3	High	23

Risk Ref	Corporate Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Category	Risk Owner	Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Score	Existing Controls and Proposed Actions	Net Impact	Net Likelihood	Net Risk Rating	Net Score
RD/FIN.0019	7	Resources	Financial Management	Financial Management	Systems for identifying and alerting managers on budgetary failures Financial - Operational	Financial - Operational	Peter Turner	4	2	High	18	**Controls:** 1. Monthly budget monitoring to DMTs, and COE after reporting to service managers. Annual timetable produced, standards agreed and implemented 2. Reports during June to March period with early warnings/key budget areas identified during remainder of year. 3. Escalation routes agreed re overspend areas including option of early reporting to Members 4. One Way review to ensure Heads of Finance obtain 'sign off' budget monitoring statements with managers establishing the robustness of the systems 5. Heads of Finance required to review systems and introduce improvements 6. Review of key budget systems where high risk of volatility in projections e.g. SEN, SS placements, parking income 7. Budget monitoring reports to include identification of impact on future years --- **Actions:** - Formal structures and procedures in place for monitoring and corrective action to minimise risk (Process and structures to be reviewed monthly) - Implemented changes to monitoring arrangements to support any further structural / accountability changes	4	2	High	18
RD/FIN.0282	7	Resources	Financial Management	Financial Management	Failure to produce and deliver a balanced budget which meets priorities. Greater financial uncertainty to reflect impact of recession, credit crunch, volatile inflation, future public spend constraints for local government and the impact of the property market. Economic - Strategic	Economic - Strategic	Peter Turner	4	3	High	19	**Controls:** 1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports 2. Departmental risk analysis --- **Actions:** - Regular reporting of financial forecast updates (5 times a year) to provide an update of financial impact and action required - Obtain monthly trend / current data to assist in any early action required - Obtain regular updates / market intelligence re: impact of recession and inflation (liaise with policy unit who are coordinating details of impact of recession on services)	4	3	High	19

SEE ATTACHED WORKSHEETS FOR GUIDANCE RE: RISK MATRIX, IMPACT GUIDELINES, LIKELIHOOD GUIDELINES, CORPORATE RISKS

FOR EASE OF PRINTING COLUMN B (CORPORATE RISK REF) AND COLUMN G (RISK CATEGORY) HAVE BEEN HIDDEN
TO REVEAL COLUMNS - HIGHLIGHT COLUMNS A & C or F & H, RIGHT CLICK MOUSE AND SELECT UNHIDE

Risk Ref	Corporate Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Category	Risk Owner	Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Score	Existing Controls and Proposed Actions	Net Impact	Net Likelihood	Net Risk Rating	Net Score

RISK MATRIX

IMPACT		RISK RATING				
	Catastrophic 5	Medium 17	High 22	High 23	High 24	High 25
	Major 4	Medium 12	High 18	High 19	High 20	High 21
	Moderate 3	Low 7	Medium 13	Medium 14	Medium 15	Medium 16
	Minor 2	Low 2	Low 8	Low 9	Low 10	Medium 11
	Insignificant 1	Low 1	Low 3	Low 4	Low 5	Low 6
	Description / Score	Remote 1	Unlikely 2	Possible 3	Probable 4	Highly Probable 5
		LIKELIHOOD				

RISK RATING		
Low Score 1 - 10	Medium Score 11 -17	High Score 18 - 25

Risk Variables – Impact (Severity) Guidelines

Description / Score / Risk Examples	Health and Safety	Environmental	Staffing and Culture	Compliance with Regulations	Service Provision	Damage to Reputation	Information and Communication	Financial
Insignificant 1	Incident	No lasting detrimental consequences e.g. noise, fumes of short term duration.	Localised staff and management dissatisfaction causing little or no disruption to services.	Minor breach of internal regulations, not reportable.	Brief disruption to an important service area. Significant disruption to non-crucial service area.	Complaints from individuals / small action groups. Negative, but little local media coverage.	Brief inability to access data but no service effect.	Costing less than £5,000
Minor 2	Injury	Detrimental affect for a short period e.g. significant discharge of pollutants in localised area.	Broader based staff and management dissatisfaction impacting on some services	Minor breach of external regulations, not reportable.	Major disruption to an important service area for a short period. Adverse disruption to non-crucial service area for a period of weeks.	Complaints from local stakeholders. Adverse local media coverage, being picked up by the national media.	Loss of data for medium period slightly affecting service delivery.	Costing between £5,000 and £50,000
Moderate 3	Serious Injury	Serious discharge of pollutants requiring remedial action.	Localised / national action causing a short term disruption to services.	Breach of internal regulations leading to disciplinary action. Breach of external regulations, reportable.	Complete loss of an important service area for a short period. Major disruption to non-crucial service area for a period of weeks.	Broader based general dissatisfaction with the running of the council. Adverse national media coverage.	Loss of data for significant period moderately affecting service delivery but full data recovery.	Costing between £50,000 and £500,000
Major 4	Fatality	Long term detrimental affect e.g. major discharge of pollutants leading to prosecution.	Resignation / removal of local management leading to a significant deterioration in services over the short term.	Significant breach of external regulations leading to intervention or sanctions.	Major loss of an important service area for a period of weeks. Major loss of several non-crucial service areas for a period of weeks.	Resignation / removal of CEO / elected Members. Audit Commission enquiry. Significant adverse national media coverage.	Loss of data for significant period seriously affecting service delivery and recovered data damaged.	Costing between £500,000 and £5.000,000
Catastrophic 5	Multiple fatalities	Extensive harm caused to the local environment e.g. wide spread discharge of hazardous pollutants leading to government intervention.	Significant morale problems, inability to recruit suitable staff resulting in poor quality service delivery over a long period.	Major breach leading to suspension or discontinuation of business or outsourcing / privatisation of key services.	Virtual inability to function.	Delegated powers removed. Persistent adverse national media coverage.	Operating systems no longer compatible or supported and therefore redundant. Complete loss of data (inability to retrieve critical service data) leading to service failure for an extended period.	Costing more than £5,000,000

Risk Variables – Likelihood (Probability) Guidelines

Score	Description	Expected Frequency
1	Remote	10-yearly
2	Unlikely	3-yearly
3	Possible	Annually
4	Probable	Monthly
5	Highly Probable	Weekly

BROMLEY - CORPORATE RISKS - 2009

1	**Failure to achieve strategic BBB objectives and organisational change** Linked risks: 1. Business and portfolio plans do not achieve desired outcomes 2. Failure to develop and implement key strategies 3. Lack of demonstrable progress on the Customer Access Programme 4. Failure to embed an effective performance risk management process throughout the council 5. Failure to strengthen performance programme and project management arrangements across the Council 6. Failure to keep Local Development Framework documentation to timetable leading to loss of Housing and Planning Grant

2	**LAA reward targets not met with the result that achievement of possible reward (£8.2m) will not be maximised** Linked risks: 1. Failure to manage performance of LAA Stretch Targets 2. Separate risks for the 13 Stretch Targets 3. Achieving outcomes through partnerships

3	**Failure to recruit and retain qualified and experienced staff due to shortage of good quality permanent staff in key areas leading to succession planning issues, skills gap and potential deterioration of service quality** Linked risks: 1. Ability to recruit and retain qualified and experienced staff 2. Failure to develop and implement effective recruitment and retention strategies 3. Deterioration of service quality through loss of experienced staff as a result of age profile of workforce 4. Failure to succession plan 5. Potential future shortage of professionally qualified practioners e.g. social workers 6. Safeguarding agenda 7. Managing change in the workforce including organisational downsizing and Single Status

4	**Failure of a contractor / partner / provider to maintain agreed service levels resulting in an interruption to or deterioration of service delivery** Linked risks: 1. Failure of a contracted provider 2. Potential for operational errors by contractors 3. Volatile markets; procurement / commissioning 4. PCT and 'health' uncertainty as a result of re-provisioning of services in London sub-regions

5	**Failing to develop IT information systems to reliably support departmental service delivery and to promote efficiency; data collection and management information quality (including partners)** Linked risks: 1. Failure of key Lines of Business IT systems to reliably support departmental service delivery 2. IT failure impacting on operational system (CONFIRM) / contractor liaison 3. Unavailability of UNIFORM to process planning applications 4. Information systems; established and maintained as fit for business purpose

6	**Failure to implement an effective council-wide Business Continuity Plan with the result that services are severely disrupted as a consequence of:** **1. loss of premises due to explosion / fire / flood etc.** **2. loss of a key business system due to power problems or system failure** **3. severe weather conditions** **4. pandemic** Linked risks: 1. Flu pandemic 2. Fuel shortage impacting on the transport fleet 3. Failure of CCTV system 4. Information and data security 5. Operational emergencies due to severe weather conditions, fire, major incident

7	**Failure to produce and deliver a sustainable Financial Strategy which meets BBB priorities and failure of individual departments to meet budget** Linked risks: 1. Government funding and 'grant floor' 2. Effect of Public Spending Review, inflation, interest rates etc. 3. Failure to meet budget and pressures from service overspends 4. Dependency on external grants to fund services - effect if grant ceases 5. Capital expenditure (sustainable strategy that meets council priorities; affordable and prudent)

8	**Failure to comply with legislation / statutory obligations** Linked risks: 1. Failure to keep up-to-date with legislative change 2. Failure to track change in legislation and policy 3. Continued change to government strategy 4. Single Status 5. Equalities agenda (also reputational risk)

9	**Risks resulting from the economic downturn** Linked risks: 1. Effect on finance (at national and local level) and investments; including reduction in the value of Bromley's investments, increased investment risks, reduced rental income, reduced service income, reduced capital receipts 2. Impact on delivery of LAA 3. Impact on 2020 Vision 4. Impact on Local Strategic Partnership 5. Impact on local jobs, businesses and town centres 6. Increased demand on key services resulting in overspends

10	**Reputational Risk** Linked risks: 1. Inspection regime (specifically CAA, Use of Resources, service inspectorates) and public ratings - in relation to 'excellent in the eyes of local people' 2. Performance management to national standards 3. Equalities agenda (also statutory risk)

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Report No. DR10057	**London Borough of Bromley** **PART 1 - PUBLIC**	Agenda Item No.

Decision Maker: **Audit Sub-Committee Committee**

Date: **10ᵗʰ June 2010**

Decision Type: Non-Urgent   Non-Executive   Non-Key

Title: **INTERNAL AUDIT ANNUAL REPORT 2009-10**

Contact Officer: Mark Gibson, Assistant Director of Resources
Tel: 020 8313 4295   E-mail: mark.gibson@bromley.gov.uk

Chief Officer: Paul Dale, Director of Resources

Ward: Borough wide

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1. Reason for report

1.1 The annual report is for Member information and is also intended to assist the Council in meeting the accountability requirements of the Accounts and Audit Regulations. Part of the overall arrangements require the Chief Executive and the Leader to sign an annual governance statement. This will be put before Members as part of the statutory accounts and is attached to the progress report on this agenda. Included in this report are highlights of the performance of the Internal Audit function, a summary of the audits undertaken and an opinion on the overall adequacy and effectiveness of the organisation's internal control environment based on this work. Members should note that the Annual Schools Report and the fraud reports are considered by the Audit Sub-Committee separately.

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2. **RECOMMENDATION(S)**

2.1 **Members are asked to note the report.**

Corporate Policy

1. Policy Status: Existing policy.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: N/A

2. Ongoing costs: N/A.

3. Budget head/performance centre: Internal Audit

4. Total current budget for this head: £587,520 excluding the benefit fraud partnership costs but subject to reduction.

5. Source of funding: Existing budgets

Staff

1. Number of staff (current and additional): 10

2. If from existing staff resources, number of staff hours: circa 2000 days

Legal

1. Legal Requirement: Statutory requirement. Accounts and Audit regulations 2006

2. Call-in: Call-in is not applicable. This report does not require an executive decision.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Potentially all staff

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.

2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1   The annual report is for Member information and is also intended to assist the Council in meeting the accountability requirements of the Accounts and Audit Regulations. Part of the overall arrangements require the Chief Executive and the Leader to sign an annual governance statement. This will be put before Members as part of the statutory accounts. Included in this report are highlights of the performance and achievements of the Internal Audit function, a summary of the audits undertaken and an opinion on the overall adequacy and effectiveness of the organisation's internal control environment based on this work.

3.2   Internal Audit's main objective remains as ' assisting management and Members in minimising risks, maintaining high standards and continuously improving service delivery through independent appraisal, review and advice.' We aim to do this by;

- **independently reviewing** and appraising systems of control throughout the Authority
- ascertaining the **extent of compliance** with procedures, policies, regulations and legislation
- **providing assurance** to management and Members that the areas subject to review are performing adequately and any control weaknesses are identified and rectified.
- facilitating good practice in **managing risks**
- **working in partnership** with the external auditors and other external providers
- **identifying fraud** as a consequence of the reviews and **deterring crime**.

3.3   A key aspect of all reviews is looking at the controls in place and making an assessment of these and the associated risks if these controls are not in place or are not being fully followed. Essentially the controls and actions ensure that the processing procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded, completeness and accuracy of records are secured and identified weaknesses are corrected when something has gone wrong. There is always the intention to consider the balance of controls against the cost of implementation and where the controls are regarded as over burdensome this will be acknowledged.

Performance

3.4   As a recap the purpose of the Internal Audit Plan was to:

- Optimise the use of audit resources available, given that these are limited
- Identify the key risks facing the Council to achieving its objectives and determine the corresponding level of audit resources
- Ensure effective audit coverage and a mechanism to provide Members, and senior managers with an overall opinion on the auditable areas and the overall control environment
- Add value and support senior management in providing effective control and identifying opportunities for improvement
- Supporting the Director of Resources in fulfilling obligations as the Council's nominated Section 151 Officer
- Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations.

3.5   Internal Audit seeks to satisfy our customers through our business processes which make sure we have set challenging targets and standards for all audit staff through agreed objectives. We

review and appraise the achievement of these objectives throughout the year. The document used for measurement of our audit service is the improvement, efficiency and effectiveness plan. Within this plan for each objective that is set we then present what we will do, how we will do it and who will monitor this. The overriding theme is the annual audit planning and work programme agreed each year. This plan will be subject to adjustment for unexpected levels of unplanned activity or shortfall in resources.

3.6 Internal Audit work and outputs have been reviewed by External Audit who were able to conclude that Internal Audit were providing a satisfactory service and were able to place reliance on our work. In addition the use of resources assessment including specific areas relating to internal audit work and influence was marked three out four which helped to contribute to the overall assessment for use of resources.

3.7 Internal Audit have completed the high risk audit reviews scheduled in 2009-10 and received positive feedback from the client departments with an overall average of over 4.2 out of 5 for the audit satisfaction surveys. Overall 81% of the plan was completed against the annual performance indicator requirement of 90%. The main reason for this was the level of unplanned absences including sickness as well as the secondment of an audit manager.

3.8 In addition, 90% of the audits were completed within the allocated budgeted time allowed against a performance indicator requirement of 90%.

3.9 Unfortunately the performance indicator requiring 95% of audits to be completed within two months of commencement of fieldwork fell short of target running at 83%. Mitigating circumstances include vacancies, awaiting information from clients, extending the original scope where there are major audit findings and auditors being asked to carry out ad hoc work including investigations. However, this indicator is kept under close scrutiny as it is acknowledged that where there are major weaknesses identified it is imperative that corrective management action is both agreed and implemented within a tight timescale.

Highlight Achievements in 2009/10

Risk Management – This is an ongoing exercise where we have continued to lead and coordinate the Council's risk management approach and provided ongoing training. The risk registers play a key part in the Annual governance process both corporate and departmental risk registers are maintained. The risks are regularly reported through to the Audit sub committee and the corporate risks now feature in the main Are we on Track report.
Customer Service – We have received good customer feedback achieving an average score of 4.2 out 5 in our audit surveys. We are the accredited body to undertake reviews of the Financial Management Standards in Schools(FMSiS) standards and have undertaken assessments for all the required schools. A key part of the audit planning process is consultation with senior officers.
Shared Service – the partnership with L B Greenwich for benefit fraud has continued to be highly effective both prosecuting and acting as a deterrent to public sector fraud. In addition the partnership has been extended at no extra cost to include corporate anti fraud work.
Partnership Working – we continue to achieve closer links with other local authorities and public bodies to ensure our ability to work collaboratively. We also work with the London Audit Group and Kent audit Group on developmental and training activities and have productive working relationships with the external auditor which reduces the audit fee as they are able to place reliance on our work.
Audit Team Performance – we achieved the required external audit standard undertook all high risk audit reviews and achieved a score of 3 out of 4 against the use of resources remit of internal control, risk management and probity. Monitored the main audit indicators which are substantially met. In addition we were successful peer reviewed as complying with the cipfa code of practice for internal audit

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Benefits Delivered

Effective Control – our work continues to be instrumental in ensuring the Council has high standards of control and probity.

Economies of Scale – the partnership with Greenwich and computer audit service provided by Deloitte continued to ensure the service secures access to specialist resources at competitive rates and brings in income to the council in penalties and fines received

Risk Management – the Council has a robust framework for identification and management of risks, reducing likelihood of failure of service delivery.

Recommendations for Improvement-Agreed actions for improvement recognised and implemented. All priority one recommendations are reported to Members and followed up.

Advice- professional advice is given on new initiatives and ways of working. We have installed the new financial regulations and procedures as part of the managers toolkit, undertaken training and awareness courses and had the Code of Corporate Governance adopted by the Council.

Assurances-assurance provided to management by internal audit reviews. We also play a lead role in producing and coordinating the statutory Annual Governance statement.

Efficiencies- our review activity enables us to offer advice to managers regarding opportunities to improve efficiency, examples include, data matching opportunities, identifying overpayments, identifying duplication and potential for better use of technology

Audit Efficiency – we will continue to streamline our own processes, for example, though exploitation of the onebromley intranet, continue to use electronic working papers and use the functionality of the integrated database capturing audit and risk issues

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3.10   Additionally, some notable achievements are as follows

- Audit planning has been aligned to the corporate and departmental risk register.
- Procedure for priority ones agreed at Audit Sub-Committee in June 2009. Greater emphasis to implement these recommendations.
- Peer review with Bexley and Brighton and Hove –substantial assurance given with minor recommendations. Results reported to Audit Sub-Committee in June 2009.
- Schools Financial Regulations have been updated, approved by Audit Sub-Committee in December 2009 and effective from April 2010. Offering schools greater clarity in some areas such as contract letting and use of purchase cards.
- List of waivers from tendering for contracts have been reported to Audit Sub-Committee in December 2009.
- Internal Audit were benchmarked against other authorities and came out favourably – results reported to Audit Sub-Committee in September 2009.
- Audit Manual being revised and updated.
- Raising Concerns (Whistle Blowing) annual report did not raise any major concerns.
- Assurance framework for producing Annual Governance Statement well established. Significant governance issues reported to Audit-Sub Committee.

3.11   Internal audit has provided 1,379 audit days (1,732days for 2008-9) to the departments through reviews and financial support and advice. As well as mainstream audit activity internal audit has spent time on investigating fraud and irregularities, managing the fraud partnership, giving advice and guidance, development of regulations and codes of practice, attendance at departmental and corporate working groups, representing the Council at external meetings and leading and participating in data matching exercises including the National Fraud Initiative.

Summary of Audit Days provided to the departments.

Departments	2009-10 Audit days	2008-9 Audit days
Corporate Services	493	520
Children and Young People	498	659
Adult and Community services	241	348
Environment	97	115
Recreation and Renewal	50	90
	1,379	1,732

The reduced number of days coverage is due to vacancies and secondments

3.12 It is important to note that all audits arising from the approved plan result in a formal report to management. Each audit has an agreed terms of reference and is conducted according to the CIPFA audit code of practice and Bromley's standard audit documentation guidance. All final reports are agreed with the client prior to release and are followed up systematically. In addition, all final reports include an assessment of the risk of any control weakness identified.

3.13 Throughout the year Internal Audit have reported all priority one recommendations i.e. those that are significant and require urgent management attention. These reports are contained in the respective progress reports. The reason for the specific summary reports to Members are that all of these reports contain a recommendation which Internal Audit believe to be a risk to the service, system, function or establishment which needs to be addressed. The level of priority ones and the nature of any fundamental areas of weakness will determine the overall opinion given.

3.14 As a result of the Internal Audit work and in consultation with management, auditors form an overall opinion on the extent that actual controls in existence provide reasonable assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance is rare regarding internal control systems, because no matter how sophisticated they are, it will not be possible to prevent or detect all errors or irregularities. The opinions given are graded accordingly in the table below.

Assurance Level	Definition
Full Assurance	There is a sound system of control designed to achieve all the objectives tested.
Substantial Assurance	While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.
Limited Assurance	Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.
No Assurance	Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

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3.15 In any case where Internal Audit have been able to provide no assurance or there has been a significant number of priority one recommendations, based on the review and testing undertaken, a full management response has been presented at the Audit Sub Committee. In addition responsible officers are called to account for the reasons for the weaknesses and giving Members assurance of their management actions agreed with Internal Audit. These actions are then followed up and reported within a six month timescale. On other audits reviews with less material weaknesses but those still requiring urgent management action it has been agreed that responsible officers will be required to attend the meetings where satisfactory action has not been taken.

3.16 The table below lists the reports requiring special attention and reported to Members throughout the year. In addition a brief update has been included.

Reports including Priority one recommendations reported to Audit Sub during 2009-10

Title	Dept	No of Priority One's	Outcome
Review of Transportation Strategy	ENV	1 –Part 2 of agenda	Recommendation agreed. Project team no longer employed at LBB, procedures to procure services have been tightened.
Review of Fostering	CYP	1	Accepted by Management for immediate implementation. To be followed up as part of 2010/11 planned audit.
Review of Transition Team	ACS	1	Case assessments found to have incomplete supporting documentation and referrals from other teams. This audit is to be followed up in 2010/11.
Domiciliary Care Service	ACS & RD	1	Statements of care charges were found to be issued late and in some instances were incorrect. A follow-up review found that statements are now sent out monthly. Now completed.
Extended Schools	CYP	1	Recommendation agreed. Further work has now demonstrated how funding is allocated.
Town Centre Management	R&R	2	Christmas Lights tendering for 2010/11 onwards implemented. Updating of procedures due to be reviewed in 2010/11 audit when new structure is in place.
Council Tax	RD	1	Found to be partially implemented at 2009/10 audit, resulting in a partial re-recommendation being made which was reduced to a Priority 2. This related to recovery procedures.
Creditors	RD	2	Additional controls implemented to reduce and identify/recover duplicate payments have been implemented, a number were still found by internal audit on review, re-recommendation made but reduced to priority 2.

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				Controls regarding authorisation of manual payments have been strengthened. Both implemented.
Debtors	RD	1		Recommendation agreed, the collection procedures have been produced but there are still ongoing recovery issues.
Direct Payments	ACS/CYP/RD	1		Recommendations relating to financial monitoring information in respect of clients as well as administrative arrangements agreed and to be followed up in 2010/11.
Learning Disabilities	ACS	1		Missing care files issue, now addressed by new file management system.
Early Years	CYP	2		Overpayment now recovered and other overpayments identified. Strengthened review process instigated. Poor financial controls and lack of procedures identified have been addressed.
Cash & Banking	RD	1		Petty Cash issues encountered in reconciliations. This has now been rectified.
Telephony	RD	1		Draft mobile phone policy in place.
Parking	ESD	1		Reconciliations not complete or performed regularly however management now being taken for more regular reconciliations.

3.17 A listing of completed audits is given in appendix one. The opinion details are given for each audit. Recommendations have been made in all reports and these are normally categorised as areas requiring immediate management attention as priority one, those that do not represent good practice as a priority two or finally suggestions for improvement at a priority three.

3.18 The summary of audit work undertaken resulted in 90 final reports excluding schools work. Of these 43 were classified with full or substantial assurance, 21 were follow ups to existing reports and 23 limited assurances were given with no nil assurances issued in the year. There were also 3 specific investigations reports. Overall 429 improvement recommendations have been made in the year. By comparison last year 46 reports were classified with full or substantial assurance, 24 limited assurances were given and 23 were follow ups to existing reports, however there was one nil assurance. In total there were 518 recommendations made last year.

3.19 Typical control issues highlighted in the audit reports fall under the following broad categories;

- Organisational – the controls that provide the framework under which the system of other controls can operate effectively and efficiently.
- Financial – the system of controls that ensures the accuracy and adequacy of financial records and also safeguards the organisation against possible financial loss due to fraud or error.

- Operational – the system of controls that ensures the efficiency and effectiveness of operations, ensures the organisation's objectives are met (and services delivered) and also safeguards the organisation against any reputational damage or other loss.
- Compliance controls – the system of controls that ensure that the organisation complies with all relevant legislation, best practice guidance and internal policies with respect to the conduct of the business.

3.20 These control issues led to recommendations that were broadly categorised as follows;

Percentage of Recommendations by Category
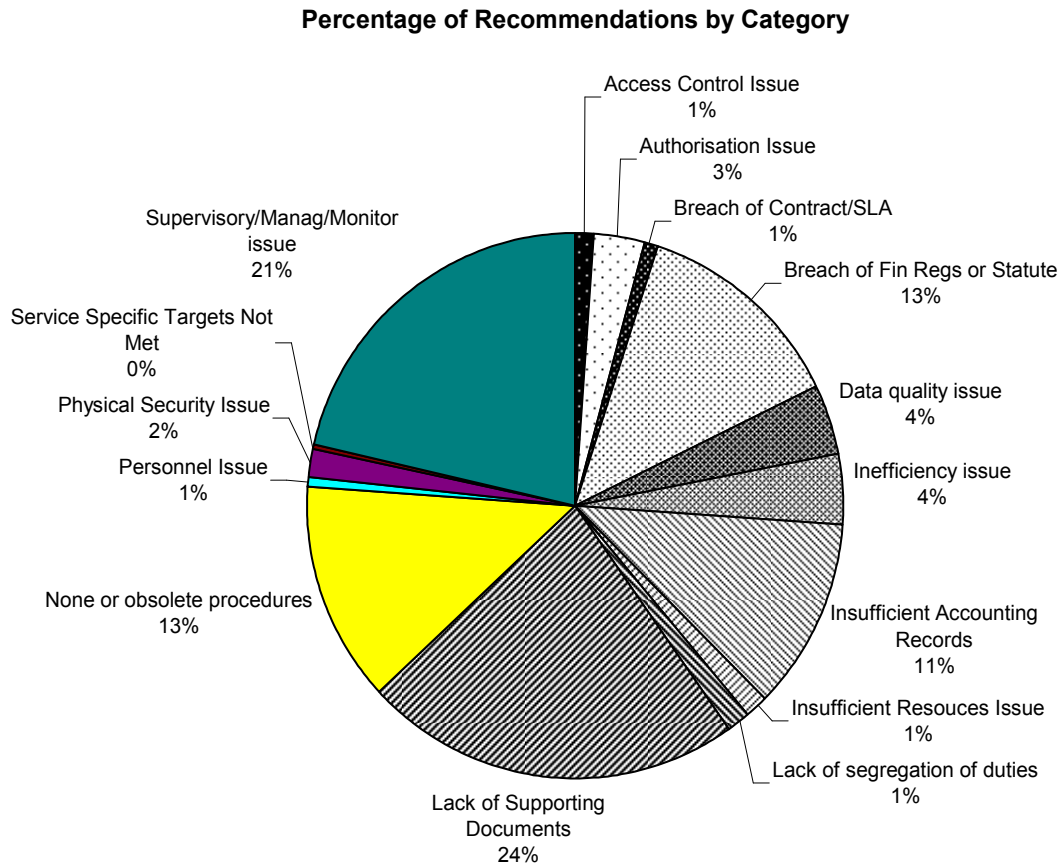
Recommendation Category	% of all recommendations
Access Control Issue	1%
Authorisation Issue	3%
Breach of Contract/SLA	1%
Breach of Financial Regulations or Procedures	13%
Data quality issue	4%
Inefficiency issue	4%
Insufficient Accounting Records	11%
Insufficient Resources Issue	1%
Lack of segregation of duties	1%
Lack of Supporting Documents	24%
None or obsolete procedures	13%
Personnel Issue	1%
Physical Security Issue	2%
Supervisory/Monitor issue	21%

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3.21 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process which is designed to identify and prioritise the risks to the achievement of Bromley's policies, aims and objectives. It also evaluates the likelihood of those risks being realised and the impact should they be realised as well as managing them efficiently, effectively and economically. The categorisation of recommendations into the above groups is a new feature. The results of the first year demonstrate that the top four headings are lack of evidence, procedures and supervisory issues and breaches of the regulations or procedures. The severity of each of these needs to be seen in the context of whether it was a priority one, two or three recommendation or not but it does give a broad picture of where improvements can be made.

3.22 The scope of internal control spans the whole range of the Council's activities, encompassing policies, processes, tasks, behaviours and other aspects of the organisation. It is the means devised by management to promote, direct, restrain and check upon its various activities to ensure the Council is competently managed and its business is undertaken in an orderly manner in accordance with its objectives and policies.

3.23 A report on the action plan on continued compliance with the code of internal audit conduct is also attached to this report following the peer review undertaken see Appendix 2.

3.24 Each Chief Officer reviews the effectiveness of the system of internal control and risk management processes based on a list of key controls expected to be in place. Where measures are required to enhance the adequacy of existing internal controls actions are agreed. Because of the emphasis on risk within this process the individual departmental statements have been co-ordinated by the Risk Management Group.

3.25 In conclusion, my overall opinion on the control environment based on the internal testing and reviews undertaken is that I am able to place overall reliance on the internal controls identified and where there have been significant issues highlighted provide assurance that corrective management action has been or will be taken to mitigated the risks. I can confirm that action plans have been agreed for all areas of identified weakness and Internal Audit will continue to apply close scrutiny to ensure that all priority control weaknesses are addressed by management. This assurance process constitutes part of the Annual Governance Statement which is attached to this report.

3.26 In summary the process used for determining the annual governance statement follows proper practice as guided by CIPFA and is a combination of assurances derived from;

- The adequacy and effectiveness of the management review processes
- Outcomes from the formal risk assessment and evaluation (risk register)
- Relevant self-assessments of key service areas within the directorate
- Relevant internal audit reports and results of follow ups regarding implementation of recommendations
- Outcomes from reviews of services by other bodies including Inspectorates, external auditors etc.

4   LEGAL IMPLICATIONS

Internal Audit is a statutory function under the requirements of the Accounts and Audit Regulations.

Non-Applicable Sections:	Policy/Finance/Personnel
Background Documents: (Access via Contact Officer)	Audit Sub-Committee reports

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Audit	Overall Opinion	P1	P2	P3
ACS/001/01/2009 - Commissioning & Partnerships Audit for 2009-10	substantial assurance			
ACS/029/01/2009 - Care Link Audit for 2009-10	substantial assurance	0	3	0
ACS/031/01/2009 - Extra Care Housing - Establishment Visits (Cranbrook Court) Audit for 2009-10	substantial assurance	0	4	0
ACS/059/01/2009 - Choice Based Lettings & Bromley Homeseekers Audit for 2009-10	substantial assurance	0	6	0
CYP/002/01/2008.bf - SEN Assessments and placements Audit for 2008-09	substantial assurance	0	3	0
CYP/003/01/2008.bf - Standards Fund Audit for 2008-09	substantial assurance	0	3	0
CYP/007/01/2008.bf - (Children in Need) Referral and Assessment Teams Audit for 2008-09	substantial assurance	0	5	0
CYP/008/02/2008.bf - Children with Disabilities Audit for 2008-09	substantial assurance	0	2	0
CYP/008/03/2008.bf - Emergency Duty Team Audit for 2008-09	substantial assurance	0	8	1
CYP/008/03/2009 - Youth Offending Team Audit for 2009-10	substantial assurance	0	5	1
CYP/018/01/2009 - Leaving Care Audit for 2009-10	substantial assurance	0	5	0
CYP/024/01/2009 - Pupil Referral Unit Audit for 2009-10	substantial assurance	0	7	0
CYP/025/01/2009.bf - SEN Transport Audit for 2009-10	substantial assurance	0	3	1
CYP/028/01/2009 - Contact Point Audit for 2009-10	substantial assurance	0	1	0
CYP/030/01/2009 - Early Years Audit for 2009-10	substantial assurance	0	3	1
CYP/004/01/2009 - Youth Service Audit for 2009-10	substantial assurance	0	5	0
ENV/002/04/2009 - Street Services Business Impact Plan Audit for 2009-10	substantial assurance	0	0	3
ENV/002/05/2008.bf - Town Centre Markets Audit for 2008-09	substantial assurance	0	10	0
ENV/003/01/2009.bf - Waste management Audit for 2009-10	substantial assurance	0	2	0
ENV/004/02/2009 - Parking Enforcement Audit for 2009-10	substantial assurance	0	2	3
ENV/006/02/2009 - Grounds Maintenance Audit for 2009-10	substantial assurance	0	6	0
ENV/011/01/2009.bf - Major Footway & Carriageway Works and Minor Repairs & Improvements Audit for 2009-10	substantial assurance	0	3	1
LD/006/01/2009 - Mayor's Charity Audit for 2009-10	substantial assurance	0	2	1
R&R/000/01/2009 - Field Studies Centre Audit for 2009-10	substantial assurance	0	7	0
R&R/001/03/2008.bf - Libraries Services Audit for 2008-09	substantial assurance	0	3	3
R&R/002/01/2009 - Adult Education College Audit for 2009-10	substantial assurance	0	6	0
R&R/004/01/2008.bf - Building Control Audit for 2008-09	substantial assurance	0	1	1
R&R/004/01/2009.bf - Planning Services Audit for 2009-10	substantial assurance	0	1	0
R&R/005/01/2009 - Land Charges Audit for 2009-10	substantial assurance	0	1	0
RD/003/01/2009 - Council Tax Audit for 2009-10*	substantial assurance	1	7	2
RD/004/01/2008.bf - HBens-CTBens-Fraud Audit for 2008-09	substantial assurance	0	9	1
RD/006/01/2009 - NNDR Audit for 2009-10	substantial assurance	0	2	0
RD/008/01/2009 - Pensions Audit for 2009-10	substantial assurance	0	2	1
RD/009/01/2009 - Creditors-Cheque Control Audit for 2009-10*	substantial assurance	2	12	0
RD/010/01/2009 - Building Maintenance Audit for 2009-10	substantial assurance	0	3	3
RD/011/01/2009 - Property Management Audit for 2009-10	substantial assurance	0	5	0
RD/019/01/2009 - VAT Audit for 2009-10	substantial assurance	0	3	2
RD/062/01/2009 - Telephony including Mobiles Audit for 2009-10	substantial assurance	1	4	1
RD/093/01/2009 - GCSX Code of Connection Audit for 2009-10	substantial assurance			
ENV/005/02/2008.bf - Sustainability (CO2 emissions) Audit for 2008-09	substantial assurance	0	1	0
ACS/C01/03/2008.bf - Investigation for 2008-09	not applicable			
ACS/007/01/2008.bf - Domiciliary Care Service Audit for 2008-09	limited assurance	1	2	0
ACS/010/01/2009 - Appointeeship & Deputyship Audit for 2009-10	limited assurance	0	7	3
ACS/023/02/2008.bf - Learning Disabilities Reprovision Audit for 2008-09	limited assurance	0	6	0
ACS/023/03/2008.bf - Learning Disabilities Audit for 2008-09	limited assurance	1	9	0
ACS/024/01/2008.bf - Mental Health Audit for 2008-09	limited assurance	0	4	0
ACS/026/01/2009 - Direct Payments Audit for 2009-10	limited assurance	0	16	0
ACS/035/01/2009 - Transition Team Audit for 2009-10	limited assurance	1	5	0
ACS/040/01/2008.bf - Housing Needs Audit for 2008-09	limited assurance	0	11	0
ACS/055/01/2008.bf - Drug Action Team Audit for 2008-09	limited assurance	0	8	0
ACS/057/01/2009 - Licencing Audit for 2009-10	limited assurance	0	6	2
ACS/061/01/2009 - Respite Care Audit for 2009-10	limited assurance	0	9	0
ACS/072/01/2008.bf - Night Care Team Audit for 2008-09	limited assurance	0	3	0
CX/042/01/2009.bf - Policy & Partnerships Audit for 2009-10	limited assurance	0	6	0
CYP/001/02/2008.bf - Early Years Audit for 2008-09	limited assurance	2	6	1
CYP/003/03/2009 - Childrens Centres Audit for 2009-10	limited assurance	0	6	0
CYP/003/04/2009 - Extended Schools Audit for 2009-10	limited assurance	1	3	0
CYP/005/03/2008.bf - Fostering Audit for 2008-09	limited assurance	1	11	0
ENV/001/01/2009 - Transportation Strategy Audit for 2009-10	limited assurance	1	4	0
ENV/004/01/2009.bf - Parking Income Audit for 2009-10	limited assurance	P1	P3	P1
R&R/006/01/2008.bf - Town Centre Management Audit for 2008-09	limited assurance	2	2	0
RD/002/01/2008.bf - Cash & Banking-Cashiers Audit for 2008-09	limited assurance	2	9	0
RD/005/01/2009 - Debtors-Income Audit for 2009-10	limited assurance	1	4	0
ACS/012/01/2009 - Registrars IT System Audit for 2009-10	full assurance			
ACS/C01/03/2009 - Stroke Grant Certification for 2009-10	full assurance			
CYP/003/02/2008.bf - BYMT Audit for 2008-09	full assurance	0	1	0
RD/014/01/2009 - Treasury Management Audit for 2009-10	full assurance			
ACS/087/01/2008 - Learning Disabilities Reprovision Follow Up Audit for 2009-10	follow-up			
ACS/008/01/2009 - Homecare Follow Up Audit for 2009-10	follow-up			
ACS/012/01/2008.bf - Follow Up Review of Registrars for 2008-09	follow-up			

Audit	Overall Opinion	P1	P2	P3
ACS/032/01/2009 - Financial Assessments Follow-Up Audit for 2009-10	follow-up			
ACS/071/01/2009 - Disabled Facilities Grant Follow Up Audit for 2009-10	follow-up			
ACS/C01/04/2008.bf - BAIS Follow Up Audit for 2008-09	follow-up			
CX/011/01/2009 - Portfolio Communication Plans Follow-up Audit for 2009-10	follow-up			
CYP/001/01/2009 - Transport and Pupil Benefits Follow-up Audit for 2009-10	follow-up			
CYP/016/01/2009 - Adoption Follow-up Audit for 2009-10	follow-up			
ENV/002/01/2009 - Highways Cleansing Follow-up Audit for 2009-10	follow-up			
ENV/002/02/2009 - Bromley and Maple Road Markets Follow-up for 2009-10	follow-up	0	2	0
ENV/005/01/2009 - Emergency Planning Follow-up Audit for 2009-10	follow-up			
ENV/006/01/2009 - Aboriculture Follow-up Audit for 2009-10	follow-up			
ENV/010/01/2009 - Street Lamp advertising Follow-up Audit for 2009-10	follow-up			
LD/001/02/2009 - Facilities Management Follow-up Audit for 2009-10	follow-up	0	4	0
LD/008/01/2009 - Gifts and Hospitality Audit for 2009-10	follow-up			
LD/009/01/2009 - Complaints Procedure Follow-up Audit for 2009-10	follow-up			
RD/033/01/2009 - e-payments Audit for 2009-10	follow-up			
RD/034/01/2009 - ITIL Follow-up Audit for 2009-10	follow-up			
RD/068/01/2009 - Business Management Follow-up Audit for 2009-10	follow-up			
RD/086/01/2009 - Defence In Depth Follow-up Audit for 2009-10	follow-up			
RD/002/01/2009.bf - Cash & Banking-Cashiers Audit for 2009-10		1	3	1
ACS/C01/05/2009 - ACS InvestigationAssessment and Care 2009-10		1	7	0
Allotments Investigation for 2009-10		0	12	0
Totals		**20**	**312**	**34**
Work in progress				
ACS/008/02/2009 - Homecare Data Capture System Audit for 2009-10		0	5	3
ACS/027/01/2009.bf - Supported Living Audit for 2009-10		0	3	0
R&R/001/01/2009.bf - Libraries Audit for 2009-10		0	8	1
RD/004/01/2009.bf - HBens-CTBens-Fraud Audit for 2009-10		1	8	0
RD/007/01/2009.bf - Payroll-Expenses Audit for 2009-10		0	15	0
RD/013/01/2009 - Use Of Consultants Audit for 2009-10		1	2	0
RD/016/01/2009.bf - Main A-C System Audit for 2009-10		0	1	0
RD/055/01/2009.bf - Procurement Audit for 2009-10		0	6	0
RD/085/01/2009 - Sharepoint Audit for 2009-10		0	1	0
RD/088/01/2009.bf - Oneway Programme Audit for 2009-10		0	3	0
RD/094/01/2009 - HR Self Service System Audit for 2009-10		0	1	4
Total		2	53	8

Key
RD=Resources
ENV=Environment
ACS=Adult and Community Services
R&R=Renewal and Recreation
CX=Chief Executives
LD=Legal, Democratic and Customer Services
CYP=Children and Young People Services

APPENDIX 2

**London Borough of Bromley
Review of CIPFA Code of Practice
Self-Assessment**

UPDATE from 19 May 2009 Report

2.   RISK ASSESSMENT AND RECOMMENDATIONS

		FINDINGS	RECOMMENDATION *(Officer's comments on agreed action and implementation timescale)*	PRIORITY	AGREED/ DISAGREED	COMMENTS	Update
2.1.		**Section 1: Scope of Internal Audit** The code states that the purpose, authority and responsibility of Internal Audit must be defined by the Council in a terms of reference consistent with the code. Currently, a variety of documents capture the essential Information. However, it is not all in one Terms of Reference.	Using the Code of Practice Section 1.1 as a guide a single Terms Of Reference document should be agreed by the Audit Sub-Committee and this should be subject to review on a regular basis	Medium	Agreed	The terms of reference document will be consolidated and submitted to a future Audit Sub Committee	Submitted to Audit Sub Committee June 2009

	FINDINGS	RECOMMENDATION (Officer's comments on agreed action and implementation timescale)	PRIORITY	AGREED/ DISAGREED	COMMENTS	Update
2.2.	**Section 2: Independence** The Code states that the position of the Head of Internal Audit in the management structure should reflect the influence they have on the control environment and they should not report to or be managed at a lower organisational level than the corporate management team. Internal Audit Reports in Bromley are issued in the name of the Assistant Director (Audit & Technical), who reports to the Director of Resources. There is a lack of clarity over the role of Chief Internal Auditor and Head of Audit. This leads to some confusion as to whether the Head of Internal Audit is managed by a member of the corporate management team. There could also be issues arising when audits are carried out on aspects of the work of the Technical Section. (This could be part managed by reserving the right to report formally to the Director of Resources for those tasks).	The role and responsibilities of the Assistant Director (Audit & Technical) and Head of Audit should be reviewed to ensure that all aspects of the Code of Practice, paragraph 2.2.3 and 2.3.1. are complied with as far as possible, or alternative safeguards are introduced to preserve the status and independence of the Internal Audit function.	Medium	Agreed	The role of Chief Internal Auditor stays with the Assistant Director. The role of the Head of Audit will be the lead manager of the service and renamed the Deputy Chief Internal Auditor. An informal protocol already exists whereby any audits which are carried out in the technical area involve a direct reporting line to the Director of Resources to avoid any conflict. However, at a practical level these services are managed by a Technical Accountant who responds to any audit findings..	The Director of Resources receives all audit reports in the technical areas.

		FINDINGS	RECOMMENDATION *(Officer's comments on agreed action and implementation timescale)*	PRIORITY	AGREED/ DISAGREED	COMMENTS	Update
2.3.		**Section 3: Ethics for Internal Auditors** The code requires the Head of Internal Audit to plan the allocation of audit work to avoid the risk of conflicts of interest. Whilst there are organisational rules the Head of Internal Audit may wish to take into consideration more localised conflicts of interest than that governed by the Council wide scheme. Examples could include a personal relationship with an officer subject to audit or children of auditors attending a particular school subject to audit.	A process for confidential declaration of conflicts of interest in relation to audit assignments should be devised and operated on a regular basis.	Medium	Agreed	Any conflict of interest actual or potential is already addressed by the CIA. A new form will be filled in for all audit staff and updated annually.	Conflicts forms have been filled in.

	FINDINGS	RECOMMENDATION *(Officer's comments on agreed action and implementation timescale)*	PRIORITY	AGREED/ DISAGREED	COMMENTS	Update
2.4.	**Section 4: Audit Committees** The Code states that objectivity is presumed to be impaired when individual auditors review any activity in which they have previously had operational responsibility until a suitable time period has elapsed. No time period has been set at present, and judgement on each case is made. The Code suggests that a set time period should be established.	A standard time period should be considered for all such circumstances.	Low	Agreed	Two years to be the norm unless approved change by Assistant Director of Resources	Immediate implemented

		FINDINGS	RECOMMENDATION *(Officer's comments on agreed action and implementation timescale)*	PRIORITY	AGREED/ DISAGREED	COMMENTS	Update
2.5.		**Section 10: Reporting** The Code states that the Head of Internal Audit should develop escalation procedures where agreed actions have not been effectively implemented by the date agreed. A formal policy has not yet been introduced.	Procedures should be formalised for such circumstances. These procedures should ensure that the risks of not taking action have been understood and accepted at sufficiently senior management level.	Low	Agreed	A new procedure will be adopted	Submitted to Audit Sub Committee June 2009

	FINDINGS	RECOMMENDATION *(Officer's comments on agreed action and implementation timescale)*	PRIORITY	AGREED/ DISAGREED	COMMENTS	Update
2.6.	**Section 11: Performance, Quality & Effectiveness** The Head of Internal Audit should have in place a performance management and quality assurance framework. There were some areas where the self assessment considered only partial compliance to have been achieved mainly due to problems with the performance management software.	Work should be undertaken with the software supplier to resolve the issues as a matter of priority.	High	Agreed	The software supplier is working on a new version which will provide better Management Information. The team will review current reports and see if enhancements can be made.	An update version has been installed. Management reports are now fully available but there is still a degree of manual intervention required to tailor the reports for performance details

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Report No. DR10054	**London Borough of Bromley** **PART 1 - PUBLIC**	Agenda Item No.

Decision Maker:	**Audit Sub-Committee**
Date:	**10th June 2010**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**SCHOOLS AUDIT REPORT**
Contact Officer:	Diane Bex, Audit Manager Tel: 020 8313 4336 E-mail: diane.bex@bromley.gov.uk
Chief Officer:	Paul Dale, Director of Resources
Ward:	N/A

1. Reason for report

1.1 This report provides Members with a summary of work carried out by the Authority's Internal Audit Section within the remit of the Primary, Secondary and Special Schools and Colleges for the period April 2009 to March 2010.

_____

2.   RECOMMENDATION(S)

The Sub-Committee is asked to:

Note the report and to comment upon matters arising from the internal audit reviews undertaken.

1

Corporate Policy

1. Policy Status: Existing policy.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: N/A

2. Ongoing costs: N/A.

3. Budget head/performance centre: Internal Audit

4. Total current budget for this head: £587,520 excluding the benefit fraud partnership costs but subject to reduction.

5. Source of funding: Existing budgets

Staff

1. Number of staff (current and additional): The equivalent of 1.5 FTE per annum are involved in school audits

2. If from existing staff resources, number of staff hours: 290 days

Legal

1. Legal Requirement: Statutory requirement.

2. Call-in: Call-in is not applicable. This report does not require an executive decision .

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.

2. Summary of Ward Councillors comments: N/A

2

3. COMMENTARY

3.1   This report provides detail of the internal audit work carried out at schools and colleges for the 12 month period April 2009 to March 2010.

3.2   The total number of schools that received audit coverage (Financial Management Standard in Schools (FMSiS) assessments, full audits and follow-ups) over this period was 67 including all the secondary schools.

3.3   FMSiS was introduced by the Government in 2002 with the aim that all Secondary schools should meet the Standard by March 2007 and all primary and special schools by March 2010. After that assessments would be carried out every 3 years.

3.4   The Internal Audit plan for April 2009 to March 2010 included assessments of FMSiS for 17 of Bromley's Primary schools. This concluded the assessment programme started in 2007/08 for completion of assessments at all Special and Primary schools. 16 Secondary Schools were assessed for the second time in 2009/10. The one remaining Secondary School will be reassessed in 2010/11.

3.5   The FMSiS is comprised of 5 areas; leadership and governance, people management, policy and strategy, partnerships and resources and processes. Schools are required to meet a number of key criteria in each area. The decision was made to include the internal audit programme in the processes area of the Standard. In preparation of the assessments we have attended and participated in governor, head teacher, bursar and administrative staff training sessions. This has assisted in a better understanding of the FMSiS requirements by schools.

3.6   In each of the 5 areas of the Standard there are a number of sections with detailed criteria that should be met and these are detailed at Appendix A. Guidance given to assessors by the Department of Children Schools and Families stipulated that not all of the criteria need to be met to meet the section overall. Certain criteria were deemed to be key and a school would not meet the Standard unless these specific criteria could be met. An example of this is regular reconciliation of bank accounts which is included in the Processes section of the Standard.

3.7   All of the audit assignments including internal audit reviews, follow-ups and FMSiS assessments were completed in time and on budget with one exception where further information was required. Audit satisfaction questionnaires were received from the vast majority of the schools and the average score was 4.7 which equates to an overall good to excellent score.

3.8   33 assessments of FMSiS booked for the period April 2009 to March 2010 were completed in both primary and secondary schools. Only one secondary school did not meet the standard. The outcome for one secondary school has not been decided. One Primary school was reassessed and has now met the Standard. The percentage of recommendations in each category of the FMSiS is represented at Appendix B for primary schools and D for secondary schools. A summary of the number and category of recommendations made is detailed at Appendix C for primary schools and E for secondary schools.

3.9   **Secondary School A**

The school that did not meet the FMSiS in the financial year 2009/10 has been reported on in detail previously in the internal audit progress report. There were 11 recommendations including two priority ones in respect of monitoring of cash flow and obtaining quotes and or tenders for all goods and services in compliance with limits in Financial Regulations. All of the recommendations have been agreed and the school will be reassessed in quarter 2 of this financial year.

3.10 **Secondary School B**

One secondary school has entered into a lease agreement which could not be classified with any certainty as either operational or financial, this is pending further advice. Recommendations on this and a priority 1 budgetary matter as well as other lower priority recommendations are with the school for management comment. These matters are still outstanding.

3.11 **Primary School B**

One school who did not meet the FMSiS in 2008/2009 was assessed in March 2010 and has now successfully met the requirements. 11 recommendations were made when an FMSiS assessment was finalised on 20th May 2009. Two priority one recommendations were made to identify areas that needed to be addressed before the FMSiS could be awarded. These covered budget setting and agreeing a scheme of delegation. A reassessment was carried out at the school in March 2010 with the overall conclusion that the school has now met FMSiS.

3.12 **Other Schools – Internal Audit reviews (Non FMSiS assessments)**

Internal audits were carried out at two primary schools, one secondary and one special school. One primary school was audited at Members request as the school had recently come out of special measures; the other was not prepared for an external assessment of FMSiS due to changes to the Governing Body and will be assessed in 2010-11. The secondary and special schools are not due to be reassessed until 2010-11.

Recommendations for internal audit reviews were categorised as follows:

Financial Management Information – including financial reports provided to Governors.

Governance arrangements – including register of business interests.

Asset control – including arrangements for recording and monitoring equipment.

Primary Accounting documents – including income, expenditure, petty cash and banking.

3.13 The two primary, one secondary and one special school were audited with the following outcomes:

Primary school 1 – 2 recommendations on primary accounting documents

Primary school 2 – 3 recommendations on primary accounting documents and 1 on financial management information

Secondary school – 5 recommendations on primary accounting documents

Special school – 2 recommendations on primary accounting documents

3.14 An internal audit review of procurement and payment procedures was undertaken at a primary school which resulted in a priority one recommendation. This is reported in more detail in the Progress report.

3.15 **Other Matters**

We have continued to follow up recommendations made in previous school audit reports. For information, follow up audits are necessary where no full audits are planned over the next two/three years following a completed audit as the schools have been deemed to be low or medium risk. Where possible documentary evidence was sought from the Schools to support

4

implementation. Using this approach Internal Audit has been able to successfully complete 30 school follow-ups from April 2009 to March 2010.

3.16 The Financial Regulations for Schools and Colleges January 2007 were updated and circulated in April 2010. Changes include guidance on the use of procurement cards, revised contract procedures and the requirement to consult the Head of Procurement on all procurement exercises of £100,000 and above.

3.17 External Audit has continued to place reliance on the work of Internal Audit on our school audits in 2009/10 as in previous years, for the purposes of the annual external audit.

3.18 Internal Audit has continued to work closely with the SFT. There are regular consultations with the team over issues concerning the adequacy and regularity of financial returns from the schools. We also attend Head Teacher and Finance officer meetings particularly where FMSiS is discussed.

3.19 The Fraud toolkit is soon to be available on the school edunet. This toolkit will assist in promoting fraud awareness amongst school staff and governors. The fraud toolkit has already been rolled out to non schools staff in Bromley and been demonstrated to Members of this committee.

3.20 **Assisted Audits**

Previous cycle we reported to Members that we intended to carry out assisted audits in respect of secondary schools that are not subject to an FMSiS assessment (15 in 2010-11). We have now revised our internal audit programme and devised a methodology which involves some self assessment by staff at schools, some review of information that they have provided to the Schools Finance Team (SFT) and some on site testing of transactions. This programme will be used for all Secondary Schools during 2010-11.

Non-Applicable Sections:	Policy, financial, legal and personnel implications.
Background Documents: (Access via Contact Officer)	None

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The essential items for achieving the Financial Management Standard in Schools are as follows:

1. Leadership and Governance

1.1 The staff and governors have a shared understanding of their own financial management roles, responsibilities and accountabilities, and those of others

1.2 School governance arrangements ensure that Governors are able to fulfill their financial management roles, responsibilities and accountabilities properly

1.3 The Head teacher and Bursar (if in post) operate with financial integrity setting an example to governors and staff alike

1.4 The Governing Body has considered and signed a Statement of Internal Control (SIC) confirming that resources have been properly managed

1.5 The School has effective governance arrangements covering issues which include conflicts of interest and whistle blowing

2. People Management

2.1 The Governing Body includes individuals who are able to:
• Be an effective "critical friend" on financial management issues
• Provide strategic leadership on financial management issues
• Ensure financial management accountability

2.2 The staff with financial management responsibilities include individuals who are organised in a way that enables them to:
• Provide a strategic view
• Ensure accountability requirements are met
• Facilitate the effective operation of financial processes

3. Policy and Strategy

3.1 The school has an annual budget that:
• Is realistic and affordable in relation to available resources and cash flows
• Is approved by Governors on a timely basis
• Reflects the school development plan
• Is consistent with longer term financial plans (including recovery of deficits or saving up for future developments)

3.2 The governors and the staff have compared the School's financial performance with that of similar schools, examined reasons for differences and taken action where necessary

4. Partnerships and Resources

4.1 The Local Authority and the school have agreed their respective financial management roles and responsibilities

4.2 The school has procurement arrangements in place to secure value for money from all suppliers including the Local Authority and outside contractors

5. Processes

5.1 The financial management information provided to governors and staff meets their needs by being:
• Relevant   • Timely
• Accurate   • User friendly

5.2 The school provides the Local Authority with accurate and up to date information in accordance with the Local Authority's needs

5.3 The school complies with Consistent Financial Reporting requirements on a timely basis

5.4 The school has up to date, documented and approved financial regulations that are implemented consistently

5.5 The school has up to date, documented and approved detailed financial procedures that are tailored to the school's needs and implemented consistently
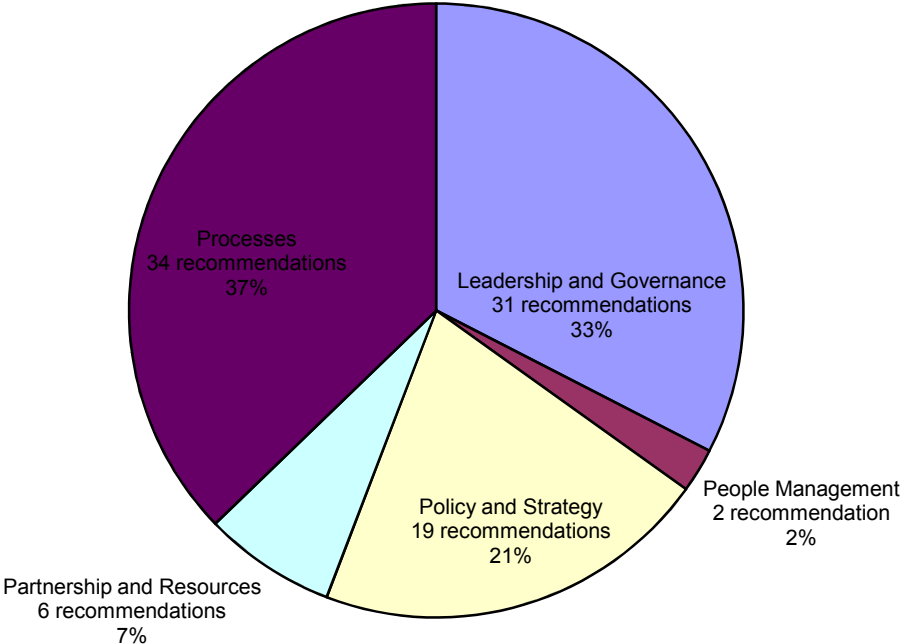
5.6 The school maintains proper accounting records throughout the year

5.7 The governors and staff have evidence that there is effective control over:

• Financial management system
• Income received   • Petty cash holdings and payments
• Payroll   • Taxation system
• Purchasing   • Voluntary funds
• The banking system   • The School's assets

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**Primary
Schools FMSiS by category**

Processes
34 recommendations
37%

Leadership and Governance
31 recommendations
33%

People Management
2 recommendation
2%

Policy and Strategy
19 recommendations
21%

Partnership and Resources
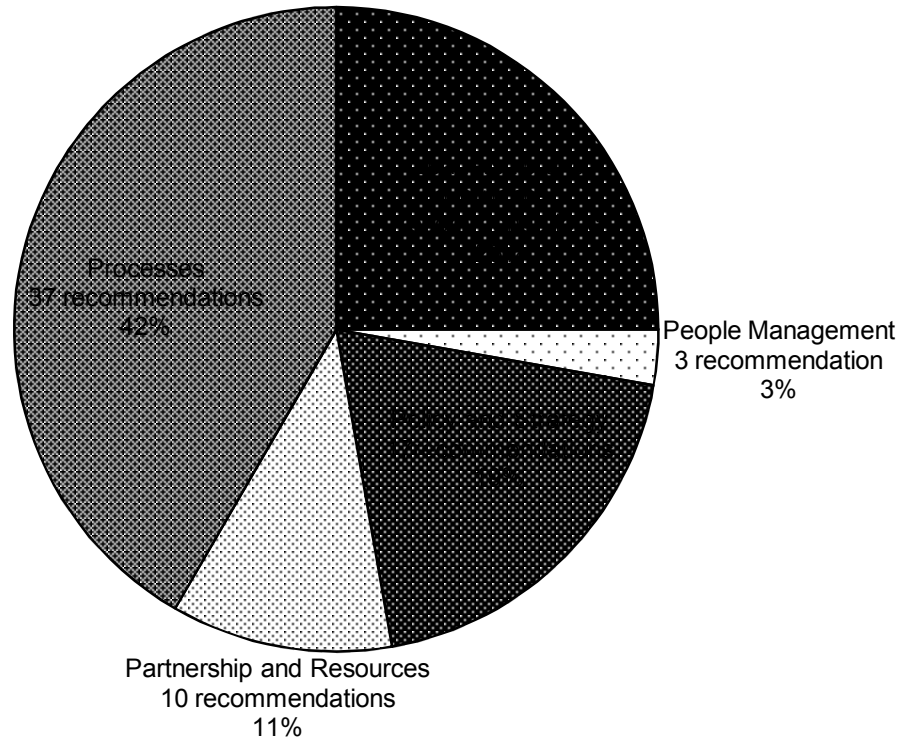6 recommendations
7%

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Number of Recommendations by priority for Primary Schools
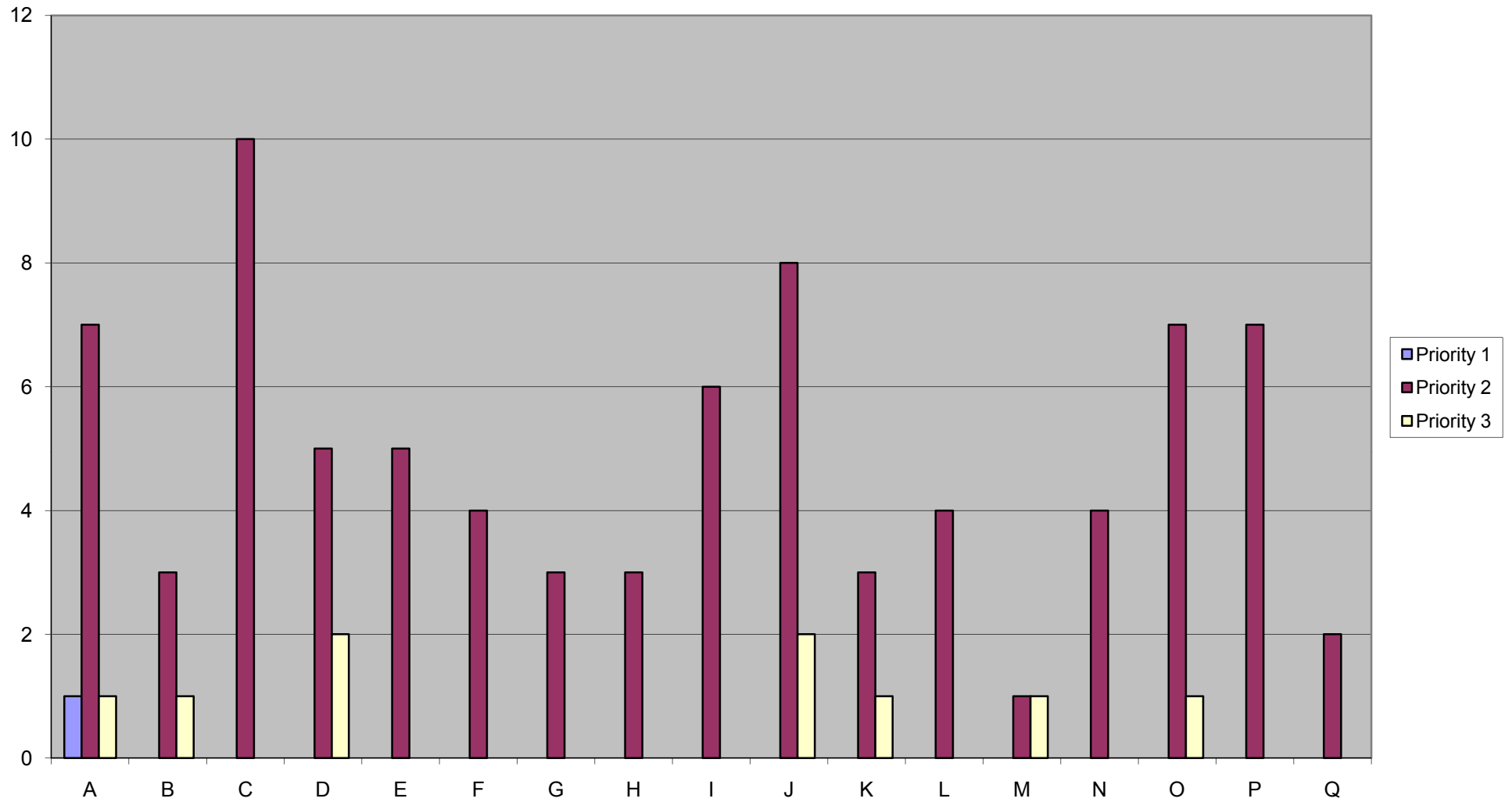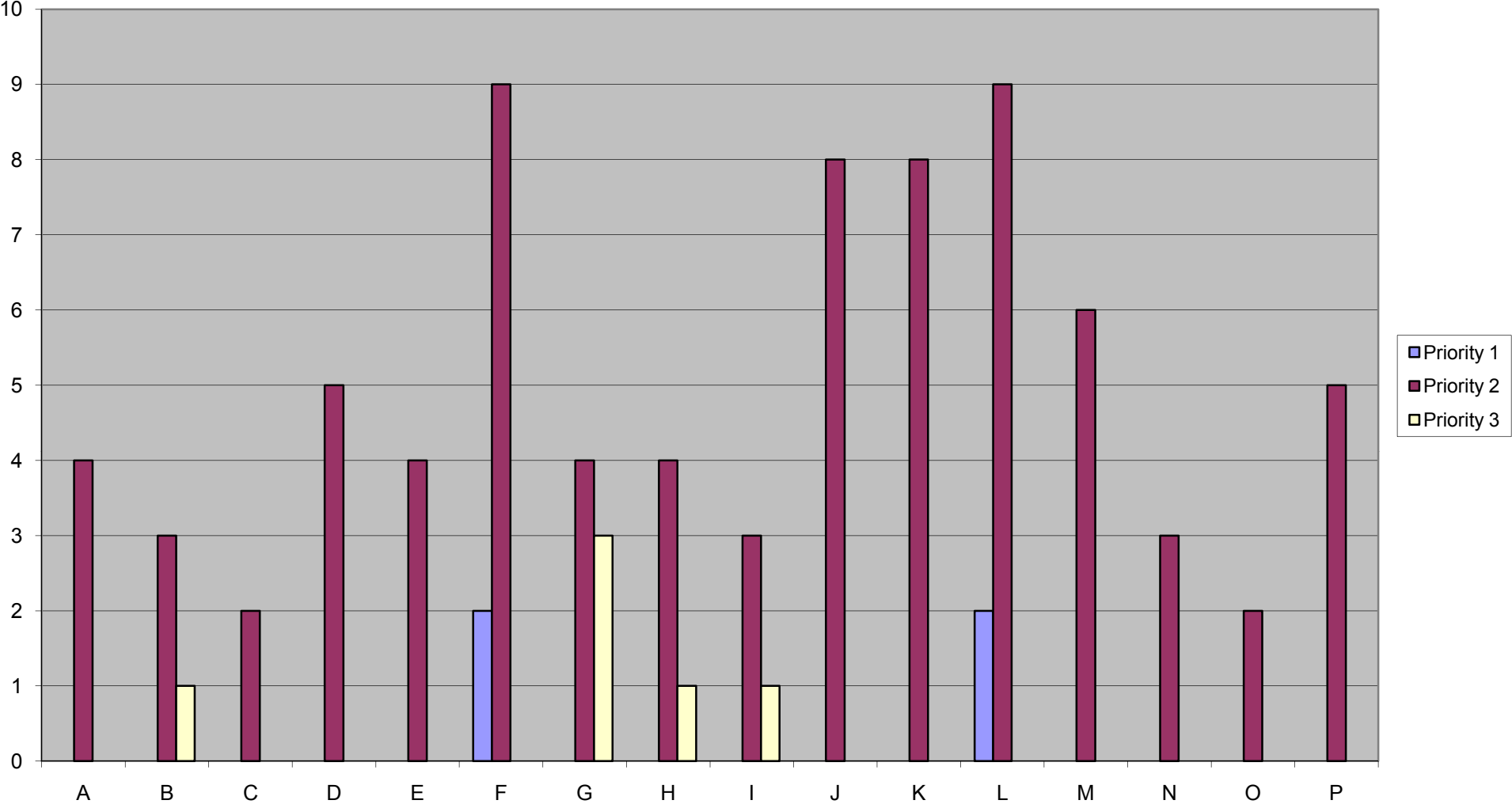
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Secondary Schools FMSiS by category

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Number of recommendations by priority for Secondary Schools

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Report No. DR 10056	**London Borough of Bromley** **PART 1 - PUBLIC**	Agenda Item No.

Decision Maker:	**Audit Sub Committee**		
Date:	June 10th 2010		
Decision Type:	Non-Urgent	Non-Executive	Non-Key
Title:	**INTERNAL AUDIT AND VALUE FOR MONEY REPORTING**		
Contact Officer:	Mark Gibson, Assistant Director Resources (Audit and Technical) Tel: 020 8313 4295 E-mail: mark.gibson@bromley.gov.uk		
Chief Officer:	Paul Dale, Director of Resouces and Deputy Chief Executive		
Ward:	All		

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1.   Reason for report

This report is a follow up report and seeks to update Members of the Audit Sub Committee on approach that could be adopted for Internal Audit Value for Money assessments following the report submitted to the last Committee meeting.

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2.   RECOMMENDATION(S)

(a)   Members are asked to note the report and comment on the vfm approach suggested as to how the output from internal audits could be used in the future incorporating a ranked assessment.

Corporate Policy

1. Policy Status: Existing policy.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: N/A

2. Ongoing costs: Recurring cost.

3. Budget head/performance centre: Internal Audit

4. Total current budget for this head: £587,520 excluding the benefit fraud partnership costs.

5. Source of funding: N/A

Staff

1. Number of staff (current and additional): 10 FTE

2. If from existing staff resources, number of staff hours: 380 days per quarter

Legal

1. Legal Requirement: Statutory requirement. Accounts and Audit Regs 2006

2. Call-in: Call-in is not applicable.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 180 including Chief Officers, Head Teachers/Governors

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.

2. Summary of Ward Councillors comments: None

3. COMMENTARY

3.1 As a result of an increased scrutiny over Council budgets and associated service provision there is a constant need to look for improvements, different ways of working and benchmarking to ensure that services are being provided to the required standards to provide best value to the Council tax payers and residents of Bromley.

3.2 The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom places a responsibility on internal auditors to "…be alert to the possibility of …poor value for money…" (para 9.2.1 (d)). As such Value for money (Vfm) is an integral part of every piece of audit work. Even though this is enshrined there was a desire expressed at the last Audit Sub meeting for a methodology to be adopted that could be used by auditors to assess and report on the vfm arrangements and in particular commenting on benchmark data that was available.

3.3 As previously reported most VFM work is still concerned mainly with economy, i.e. savings in resources. This tends to be the easiest area to tackle. In general reviews tend to be either input-based or output-based or a combination of the two depending on whether the review is concentrating on, respectively, economy, effectiveness or efficiency. An input-based review is concerned with the questions 'can cost be reduced for the same output?' and 'can greater output be achieved for the same cost?' Whereas an output-based review relates to performance in achieving policy goals and objectives and to a large extent the ability to do this depends upon the clarity with which these objectives are stated. In all cases, where the service being provided is non statutory, the question of whether we need to do it at all should be asked.

3.4 In light of the above and at the last meeting it was acknowledged that the resource involved in routine internal audit work should always keep in mind the arrangements for VFM. Any issues identified can still be reported as part of that routine work but the methodology envisaged would be an additional strand of work. As part of the research the Chief Internal Auditor has contacted the National Audit Office and obtained a very detailed methodology for undertaking vfm studies. Having reviewed these documents he has concluded that given the current resources within Internal Audit it would not be possible to undertake a programme of such detailed reviews. He is also conscious that previous attempts to include a generic matrix covering some vfm issues had proved unsuccessful in delivering any substantial and meaningful outputs.

3.5 In discussion with other local authorities it has transpired that not much progress had been made by individual audit sections. Most responded that they were not sufficiently resourced or skilled to undertake this type of work. A number of authorities pointed out that there were other units within their organisations who undertook vfm reviews. Also a number of authorities pointed to the use of resources assessment undertaken by the External Auditor who scores the vfm element as part of an Authority's performance.

3.6 In order to take this matter forward a number of suggested approaches have been considered and the Internal Audit Section is now in a position to draw up a matrix of reviewing vfm risks and controls. To inform the work auditors will need to be clear about their objectives. It is a management responsibility to ensure vfm is being delivered and the audits will be looking at the arrangements in place, assessing these and making recommendations for improvement where applicable.

3.7 The reviews will have standard elements looking at for example benchmarking, customer/client surveys, complaints, training, performance improvement and external assessments. Typical questions will be.

- Does the service or department have key financial and operational targets, and if so, what are they?

- How is non-salary expenditure decided on and monitored? How are goods and services procured?

- What are the key performance indicators (KPIs) by which the performance of the service or department is assessed? Are comparisons made with other bodies or sector norms?

- Are the KPIs focussed on service delivery?

- Has use of KPIs been owned by relevant staff?

- Is the necessary information available and is performance monitored by managers?

- Is performance reported to the relevant committee/management tier?

- Is action taken to address issues highlighted?

- Is there a mechanism for obtaining feedback from users and is action taken in response to user requests?

3.8 One source of information will be existing benchmarking that has taken place and the vfm profiles that already exist from the Audit Commission comparators. Internally the auditors can also review the improvement and efficiency plans and assess to what extent there has been a benchmarking exercise and seek to report back on the findings. It will also be important to work closely with the corporate improvement team to avoid any duplication of effort.

3.9 Each element of the control matrix can be ranked on a scale of 1-4 depending on the degree to which the service is complying with the necessary arrangements. This in turn will lead to a conclusion for each part as to whether the control or feature is in place and meets the requirements of best practice. e.g. not met, partially met, substantially met or fully met. These measures are akin to the current audit opinions. Further work will be required to define what constitutes these measures. With the focus for the Internal Audit on the benchmarking arrangements the suggested approach would concentrate on the ability of the services to demonstrate its value initially and simply by comparing performance with peers. However, because of the nature of benchmarking and the well rehearsed pitfalls of looking solely at the numbers, explanations would be expected where there were apparent discrepancies.

3.10 The internal audit plan for 2010-11 has been built up on the basis that a certain amount of days have been unallocated to test out an approach to value for money. The issue of reviewing policy inherent in an output based review is not considered suitable given the current internal structure and skill set.

4. FINANCIAL IMPLICATIONS

4.1 The additional work involved in undertaking the assessments will be contained within the existing Audit budget.

Non-Applicable Sections:	**POLICY IMPLICATIONS** **LEGAL IMPLICATIONS** **PERSONNEL IMPLICATIONS**
Background Documents: (Access via Contact Officer)	CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom

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By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 12

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