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DATE: 26 May 2011

To: Members of the
AUDIT SUB-COMMITTEE

Councillor Neil Reddin (Chairman)
Councillor Simon Fawthrop (Vice-Chairman)
Councillors Reg Adams, Nicholas Bennett J.P., Ruth Bennett, Will Harmer and
Stephen Wells

A meeting of the Audit Sub-Committee will be held at Bromley Civic Centre on
TUESDAY 7 JUNE 2011 AT 7.30 PM

MARK BOWEN
Director of Resources

Copies of the documents referred to below can be obtained from
www.bromley.gov.uk/meetings

A G E N D A

- 1 **DECLARATIONS OF INTEREST**
- 2 **APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**
- 3 **CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 16TH MARCH 2011 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION (Pages 3 - 16)**
- 4 **QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING**
To hear questions received in writing by Director of Resources by 5pm on Wednesday, 1st June 2011 and to respond.
- 5 **MATTERS OUTSTANDING FROM THE LAST MEETING (Pages 17 - 22)**
- 6 **INTERNAL AUDIT PROGRESS REPORT (Pages 23 - 52)**
- 7 **INTERNAL AUDIT ANNUAL REPORT 2010/11 (Pages 53 - 80)**
- 8 **ANNUAL SCHOOLS AUDIT REPORT 2010/11 (Pages 81 - 94)**
- 9 **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

10 CONFIRMATION OF THE EXEMPT MINUTES OF THE MEETING OF THE SUB-COMMITTEE HELD ON 16TH MARCH 2011 (Pages 95 - 102)

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

11 INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS REPORT (Pages 103 - 130)

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 at 7.30 pm on 16 March 2011

Present:

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

Also Present:

Councillor Peter Fookes and Councillor Ernest Noad.

36 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

No apologies for absence were received.

37 DECLARATIONS OF INTEREST

The Chairman welcomed Mr. Rob Carling, Head of Finance, Children and Young People Services to his last meeting for Bromley Council before moving to a new post. He offered congratulations and thanks to Mr. Carling for all his hard work for the Council.

Councillor Stephen Wells declared a personal interest in relation to the fact that his mother-in-law was a client of the Council's CareLink Service.

Councillors Reg Adams, Simon Fawthrop, Julian Grainger and Stephen Wells declared personal interests in relation to the Local Government Pension Scheme.

Councillors Reg Adams, Lydia Buttinger, Simon Fawthrop, Julian Grainger and Stephen Wells declared personal interests as school governors.

Councillor Simon Fawthrop declared a personal interest as the parent of a child at a Bromley secondary school.

38 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 6TH DECEMBER 2010 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

RESOLVED that the minutes of the meeting held on 6th December 2010 be confirmed.

39 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions were received.

40 MATTERS OUTSTANDING FROM THE LAST MEETING Report LDCS11041

Councillors were advised of matters outstanding from previous meetings and the progress made.

It was noted that those items on Appendix 1 of the report marked “complete” would be removed from the report unless Members stated a reason for that item to remain.

RESOLVED that progress with matters outstanding from previous meetings be noted.

41 INTERNAL AUDITOR NOMINATIONS Report DR11021

The report informed Members of the Internal Auditor nominations for “Auditor of the Year”. The successful winner would be presented the award by the Mayor.

Officers were asked if the three nominees set out in the report had (a) all gone above and beyond the call of duty; (b) had identified something of great significance or (c) had raised the profile of Value for Money (VfM). Councillors were advised by the Chief Internal Auditor that all the nominees had gone above and beyond the call of duty otherwise the officer would not have been nominated. In the officer’s opinion, Nominee B had identified something of great significance and Nominee C had been instrumental in bringing about a new venture in the Greenwich Council partnership.

Councillor Fawthrop proposed, and was seconded by Councillor Wells, that Nominee B be awarded the Auditor of the Year Award for 2010/11. The vote was unanimous.

The Chief Internal Auditor thanked the Chairman for introducing this initiative.

RESOLVED that:

- (a) Nominee B, as set out in the report, be awarded the Auditor of the Year Award 2010/11 by the Mayor at the annual meeting of the Council on 11th May 2011; and**
- (b) all nominees be commended for their excellent work for the Council.**

42 EXTERNAL AUDIT REPORTS Report DR11022

The report advised Councillors of the first annual report summarising the results of the external auditor's 2009/10 grant claim certification work. The purpose of the letter was to provide a high level overview of the results of the certification work that had been undertaken at the Council.

The Chairman welcomed Ms. Janet Dawson and Mr. Stuart Brown from PriceWaterhouseCoopers (PWC), the Council's external auditors, to the meeting.

Following the Government's announcement of the abolition of the Audit Commission, the Sub-Committee asked about the Commission's current position and, after the abolition, whether the Council would be responsible for appointing its own external auditors. Ms. Dawson responded that the complexity of dismantling the Commission had been severely underestimated. The dismantling would involve redundancies and associated costs and the planning for moving forward into a new regime. A great deal of work was being undertaken together with consultations. The Audit Commission was also fighting a rearguard action in a bid to survive. The local government transfer was not as clear as had been hoped and the remit had yet to be decided. PWC was currently contracted to the Commission but would also be interested in continuing to participate in any future marketplace.

The Chairman asked a question in relation to the fees paid by the Council to PWC and was advised that fees were set by the Audit Commission. However, when the Commission was dismantled, the Council could then negotiate its own fees. For clarity, Ms. Dawson reported that 30% of the fees paid to PWC were passed on to the Commission. In future, this could possibly be a saving benefit for clients.

The Chairman asked about the testing in relation to children in care affordability 1 and 2 grants which had been spent. Mr. Brown elucidated there was a recommended certification specification to be applied during a grant application process which officers needed to be briefed about. However this was not a significant issue.

The contrast in opinions regarding the Housing and Council Tax Benefit Subsidy was raised and the external auditor explained that this arose because of the follow up to recommendations made last year when the system had been improved to allow documents to be more easily retrieved.

The Vice-Chairman asked about the amended value of claims and how the Council benchmarked against other local authorities. She was advised that most councils were very good at putting together grant claims as they were very familiar with the process. Only small errors had been found and this was very encouraging.

RESOLVED that the report be noted.

**43 EXTERNAL AUDIT REPORTS: 2010/11 ANNUAL AUDIT PLAN
AND 2010/11 PENSION FUND AUDIT PLAN Report DR11023**

The Sub-Committee was informed of the external audit activity for 2010/11 annual audit plan and pension fund plan. The External Audit Plan had been prepared to inform officers and Members about the responsibilities the external auditors have and how they planned to discharge them.

In response to a question, the external auditor explained that the annual audit for each local authority complied with national standards. However the approach could be slightly varied based on perceived risk. The external auditors would look at the tri-annual valuation and maybe use this information to reduce the work of the annual audit.

A Councillor asked if PWC would make comment on their methodologies to the Pensions Investment Sub-Committee as it would be significant because of the pension recovery plan. PWC advised that they would comment but only within the scope of audit.

The Chairman thanked Ms. Dawson and Mr. Brown for attending the meeting and answering Members' questions and noted that they would next be attending the September 2011 meeting of the Sub-Committee.

RESOLVED that the report be noted.

44 INTERNAL AUDIT PROGRESS REPORT Report DR11018

The report advised of the recent audit activity across the Council and provided updates on matters arising from the last meeting of the Audit Sub-Committee in December 2010.

(a) Notification of Fraud Prosecutions to Benefits Claimants (Appendix A)

The Chairman drew Members' attention to Appendix A which was a leaflet that would be sent to all residents who received the Council's annual benefit statement. The leaflet, which appeared in the agenda as black and white, would be reproduced in the Council's corporate logo colours.

The Sub-Committee commented on the design and wording of the leaflet and whilst some felt that the wording setting out the risk of prosecution for fraudulent behaviour was not strong enough, many others felt that the leaflet's message was couched in the correct wording, used the right tone, and assumed that most recipients were not of a criminal frame of mind. It was suggested that the line "Help your Council to protect your public funds" be highlighted. After a few more design suggestions, the Chairman asked that Officers change the leaflet as they felt necessary in light of Members' comments.

RESOLVED that officers be authorised to amend the leaflet attached at Appendix A of the report as appropriate.

(b) Reclaiming Staff Costs for Successful Prosecution

The Chairman advised that a progress report on this subject would be submitted to the Sub-Committee at its meeting in March 2012.

RESOLVED that a report on the Reclamation of Staff Costs for Successful Prosecutions to be submitted to the March 2012 meeting of the Audit Sub-Committee.

(c) Housing Benefit Future Proposals

The Chairman drew Members' attention to a letter he had sent to Lord Freud on this subject and agreed to circulate it to Members of Parliament for the Borough.

RESOLVED that the letter written by the Chairman of the Audit Sub-Committee to Lord Freud be circulated to all Members of Parliament for the Borough.

(d) Officer Expenses

The Sub-Committee was advised that the perceived increase in staff expenses within Children and Young People Services was as a result of payments previously being paid from petty cash and payments now being paid through the payroll system. The Head of Finance (CYP) stated that all managers had been informed that staff expenses should be claimed through payroll in future.

(e) Progress and New Issues Since the Last Meeting

A question was raised in relation to schools applying for academy status and those schools not having internal audits carried out by the Council. The Head of Finance (CYP) advised that the government had discontinued the rules for financial management in schools in November 2010. Schools would still be required to have an audit but they would not be obliged to buy services from the Council. It was noted that private accountants could carry out systems audits. Members asked if schools would save money if they did not use the Council services and whether the Council audit was considered "too tough". The Chief internal Auditor advised that the feedback received from schools had been very positive and there was an obvious need to be competitive with regard to the cost charged for the Council service.

Following a question in relation to schools being charged a proportion of the Dedicated Schools Grant (DSG) administration cost, Members were advised that as a result of Section 251 costs could not be charged to the DSG.

(f) Waivers

A list of waivers across the Council for the period September 2010 to February 2011 was submitted for Members' consideration (Appendices C and D refer).

In relation to paragraph 3.29 of the report, a Councillor drew attention to the fact that the agreement of the Director of Legal, Democratic and Customer Services, the Director of Resources and the appropriate Portfolio Holder were required to sign off contracts (or proposed contracts) exceeding £1 million, and the fact that this did not seem correct. The Chief Internal Auditor agreed to investigate this matter. The Sub-Committee was advised that the approval of the Executive was required for such contracts. The approval for sign off on waivers should not be higher than the limit above which Executive approval was required for contracts.

Members were informed that services and supplies costing under £5,000 did not need competitive quotations. Anything above £5,000 required officers to obtain three quotations unless exempted.

Councillors raised the following questions:

- Whether it was the Council's policy to use local contractors wherever possible to encourage the Borough's economy.
- The lack of tendering process for smaller undertakings.
- Whether waivers were reported to the appropriate Policy Development and Scrutiny (PDS) Committee.

RESOLVED that the Chief Internal Auditor investigate the terms of approval for sign off of contracts exceeding £1 million.

(Would Members note that paragraph 3.29 of the Internal Audit Progress Report was incorrect and should read "Where the value of a relevant contract (or proposed contract) exceeds £1 million the agreement of the Director of Legal, Democratic and Customer Services, the Director of Resources and the approval of the Executive or Council as appropriate shall be obtained.".)

(g) Parking Income

The Vice-Chairman asked if the rationalisation of the car parking charging structure would take into consideration the impact on businesses in the area and not just the number of users of the parking facilities. This issue had been raised at Environment PDS Committee. Another Councillor commented that VfM in this area was problematic and suggested that officers look at benchmarking data. The word rationalise could be taken to mean standardise. There should be a variety of charges based on supply and demand, and local conditions.

RESOLVED that the Chief Internal Auditor email the Audit Sub-Committee giving details of the criteria used when setting car parking charges.

(h) Town Centre Management

Orpington Town Centre had recently enjoyed a £2 million improvement scheme. A Councillor enquired whether a VfM exercise had been carried out since the improvements had been concluded. For example, had the footfall increased as projected at the inception of the project? The same exercise could also apply to Langley Park Boys School concert hall. The Chief Internal Auditor responded that audit did not ask such overt VfM questions but rather looked at the arrangements in place to deliver VfM.

(i) Waste

Officers were congratulated for meeting the criteria fully after a review of VfM arrangements.

(j) CareLink

Members noted that there would be a report to the next meeting of the Sub-Committee in relation to CareLink. The officer advised that there had been teething problems in the methodology of these audits and the issue needed to be moved forward. CareLink would be referred on to the Improvement Team.

RESOLVED that a report on CareLink audit issues be submitted to the June 2011 meeting of the Audit Sub-Committee.

(k) Planning

It was noted that compared to other local authorities the Borough Planning service was considered to be low cost. Officers were asked what was being done to engage and enthuse departments into accepting the audit process. The Chief Internal Auditor responded that although it was early days, the response from officers had been fairly positive. It was intended to develop and refine the matrix and Audit would start to share accrued knowledge and details of benchmarking clubs and arrangements with the relevant clients.

(l) Risk Register

RESOLVED that an updated Risk Register be submitted to the June 2011 meeting of the Sub-Committee.

(m) Previous Priority One Recommendations – Appendix B

Following a question from the Chairman the Sub-Committee was advised that the Chief Cashier was investigating parking income reconciliations and the Audit Team would be following this up with a report back to the Sub-Committee. A credit card reconciliation would also take place within the next three to six months.

RESOLVED that a report on parking income reconciliation be submitted to the June 2011 meeting of the Audit Sub-Committee.

In relation to FMSIS Assessment of Primary School C 2010-11 and staff salaries at the school being paid twice in one month, concern was expressed that some teachers had not brought the double payment error to the School's attention. Members were advised that some of the double payments had still not been returned, mainly from staff that had since resigned or retired from the school. Arrangements were being made for them to pay back the outstanding amount over a six month period.

(n) Waivers (Appendix C)

Concern was expressed that although the information contained in Appendix C, especially in the "Reason" column, was sufficient for the Audit Sub-Committee, should the PDS Committees be advised of this information, then the "Reasons" were not good enough.

Following a question regarding the Christmas lights, the Deputy Chief Internal Auditor explained that a full tendering process for the supply of Christmas lights for three consecutive years had been undertaken. A tender for £197,000 for three years had been considered but because of current budget constraints it was felt that a year at a time at £65,000 per year would be prudent so therefore a waiver had been permitted.

(o) Waivers (Appendix D)

Rule 13, as mentioned in the Appendix, was clarified as Contract Procedure Rule 13.

RESOLVED that:

- (a) the report be noted;**
- (b) the continuing achievements of the counter fraud benefit partnership with Greenwich Council be noted;**
- (c) the action proposed for publicising to claimants the successes in prosecuting benefit fraud cases be noted; and**
- (d) the findings of the review of VfM arrangements be noted.**

**45 THE GOVERNMENT'S ACADEMY PROGRAMME:
DEVELOPMENTS WITHIN BROMLEY**

The Director of Children and Young People (CYP) Services had submitted a series of report updates on the Government's reform agenda for education, schools and wider children's services to meetings of the Children and Young People Policy Development and Scrutiny (PDS) Committee (20.07.10, 07.09.10, 30.11.10, 24.01.11 and 22.02.11). The reports provided an overview of the policy direction and key areas for reform with particular focus on the academies agenda.

Members received a report that provided an update on the Academy Programme, developments within Bromley and the potential strategic implications for the Council.

The Chairman asked why so many schools were applying for academy status in Bromley. The Director explained that there were five main drivers:

1. the overall good performance of schools which placed Bromley in the top quartile nationally;
2. ranking by Ofsted as Outstanding or Good with Outstanding Features gave schools the automatic right of conversion from the Secretary of State for Education;
3. the Borough already had the highest percentage of Grant Maintained (GM) schools and it was a relatively short step to gaining academy status from GM;
4. a high number of head teachers in Bromley were accredited as National Leaders of Education;
5. the autonomy and perceived increased funding offered by academy status were seen by many schools as very attractive.

The Director confirmed that the momentum of academy conversions during 2010/11 had placed the Borough in a unique position in the UK with a very high number of schools pursuing both individual academy conversion and 'clusters' of schools forming academy trusts.

The Borough's Chief Executive advised the Sub-Committee that so far 16 out of 17 secondary schools and 7 primary schools had applied for academy status.

The Director of CYP replied to a question about financial liability by advising that the Council retained statutory responsibility for a number of functions including place planning, admissions, children out of school, Special Educational Needs (statemented children) and Pupil Referral and Behaviour Support Services. The Council would retain these functions irrespective of schools' status.

Members were advised that a Commercial Transfer Agreement (CTA) must be completed to include the transfer of liabilities relating to staff, pensions, land and building assets and, in the case of some schools, dual use facilities and Special Educational Needs (SEN) units. The purpose of the CTA would be to protect the Council against any risks or financial liabilities and secure the Council's future interests in the case of dual use and SEN provision.

It was noted that in the case of the five schools that had already received formal approval to convert to academy status, the CTA's had yet to be signed off to the satisfaction of the Council. Officers were asked if it was appropriate for the Children and Young People PDS Committee to consider the risk

analysis relating to academy status. The Director confirmed that regular reports on the academy programme had been submitted to the CYP PDS Committee and the Portfolio Holder for CYP. In addition, the CTA's relating to conversions were the subject of decision by the Executive, given the Council-wide implications.

A Member commented that the numbers of secondary and primary schools converting individually were only the tip of the iceberg as there were 38 primary schools which may convert as part of academy clusters. The Councillor asked for assurance that a termination audit would be carried out if a CTA was not in place. The Head of Finance (CYP) stated that Internal Audit had a probity of closure process and the Council became a joint signatory on the final account. There were three main areas of risk – dual use facilities, pension liabilities and schools which had outstanding loans.

The Chief Executive confirmed that the Council had not signed any CTA's as yet. However the government continued to press ahead with conversions. Bromley was in the vanguard of academy policy development and was being tested on a daily basis.

The Director of CYP advised that given the Council's unique position it was necessary to press the Department for Education (DfE) officials on a range of issues arising from the volume of academy conversions. Following further questions about protecting the Council's interests, the Director explained that the Council had substantive experience in securing tight contract arrangements for schools transferring to former Grant Maintained status in the 1990's whereby dual use facilities at secondary schools needed to be 'protected' for community/public access to the facilities.

Following a question regarding the requirement for converting schools to continue to pay towards the pension deficit, the Head of Finance (CYP) stated that schools would be required to continue to contribute and would take the deficit with them.

A Councillor highlighted a concern about capital programme schemes being planned or committed at schools such as Langley Park School for Boys being a potential risk to the Council and the question was asked as to how the Council could have right of audit over capital programmes including any unfinished projects on conversion of such schools to academy status. The Head of Finance (CYP) advised that all but three of the capital schemes in secondary schools had been completed. Of these three, one had been shelved and two were incomplete but both schools were contractually committed. The Chief Executive said that it would cost the Council more to withdraw from a project such as the rebuild programme at Langley School for Boys than to complete it.

A Member commented that under the former system for 'academy conversion' a failing school could wipe clean its deficit and the liability for it would fall upon the local authority. Five primary schools had been identified as being on the performance ground floor over a three year period. Would there be an issue

that sponsors might not want to take on such a deficit? Would Audit look at schools like this?

The Director clarified that originally advice from the DfE had indicated that all academy conversions would be under the new Academy Act. The Secretary of State had the right to determine conversions for any school in Ofsted category of 'failing' or 'notice to improve'. In the case of any school converting using that route, the liabilities for any redundancies arising from the conversion under a sponsor partner or budget deficit would fall to the local authority. The 'schools below floor target' represented a new category of performance that DfE were considering, with an expectation that local authorities consider academy conversion for such schools.

The Portfolio Holder for Children and Young People advised Members that he had sought a meeting with Ministers to highlight the range of strategic implications and risks arising for Bromley from the fast pace of academy conversion. A meeting with Lord Hill – Parliamentary under Secretary for Schools was scheduled in early April.

It was suggested by a Member that officers look at the 2010 Academy Act as it should list the statutes that were made extant or were repealed by the Act. The Sub-Committee was advised that the Head of Legal, Democratic and Customer Services was looking into this matter.

Another question was raised on how business continuity would be achieved given the range of services which have been provided by the Council to schools. Given the financial top-slicing of central services by academy conversions, this could limit the Council's ability to move into a competitive position. The Chief Executive responded that, from a corporate perspective, this was a significant issue and the Council had not as yet mapped out the full consequences. A shake up of those services previously provided to schools by the Council would be unavoidable. However, given that the budget process for 2011/12 was now complete, the Council had the year to work issues through and would look at the scope to establish social enterprise models.

The Director confirmed that local authority funding would be affected in two ways. Bromley Council's Revenue Support Grant (RSG) had been top-sliced by the Government by £800k for 2011/12 based on a national formula of anticipated academy conversions. An indicative figure of £640k had been set for 2012/13.

The methodology for recoupment from the Dedicated Schools Grant (DSG) would be through an in-year adjustment. This would have a direct and immediate impact on central CYP services funded through the DSG including Behaviour Support, Respite and Early Intervention services. The pace of academy conversions and in-year recoupment from DSG funded services could prevent the Council from delivering statutory support functions to those schools remaining with the Local Authority because of an insufficient critical mass of services remaining. It could also limit the scope for sold services being offered to academies in the future.

RESOLVED:

- (a) that the Government's Academy programme, developments with Bromley and local strategic implications for policy and planning be noted; and**
- (b) that the specific financial implications, as outlined in section 8 of the report, be noted.**

46 INTERNAL AUDIT PLAN 2011/12

The Sub-Committee considered the internal audit plan for 2011/12.

The issue of not having to provide an audit service to those schools converting to academy status was raised. The Chief Internal Auditor responded by confirming that the Council's Audit team would carry out the closure audit on these schools. If the schools no longer required the services of the Audit Team then resources would be redirected accordingly. The officer felt that redundancies could be avoided as the service had already had to find 25% cuts as part of the savings options so had already reduced staff numbers. If the service could not provide a certain minimum number of audit days then the service could not provide an appropriate level of assurance. The officer was always happy to receive suggestions regarding issues that required an audit.

The Deputy Chief Internal Auditor pointed out that in addition to the 25% savings, a further cut of £30k was being clawed back by Children and Young People Services from the audit budget due to the abolition of FMSiS.

The Chairman asked if anyone would like to be sent a link to the comprehensive Audit Manual. It was suggested that a paper copy be placed in the Members' Room. This was agreed subject to Members understanding that information contained in electronic links within the document would not be available.

With regard to Appendix A and the number of audit days allocated, it was noted that some subjects seemed to attract a disproportionate number of days. The Chief Internal Auditor advised that the number of days allocated to each subject was built up from previous experience where available.

The Sub-Committee was advised that a Councillor had noticed that the Hospitality Register and the Members' Interest register were not always completed correctly. This was especially true of the Members' interest form with subjects such as owning a property within the Borough and political party membership often being left blank. The Chief Internal Auditor agreed to look into this matter.

RESOLVED that the Internal Audit Plan for 2011/12 be noted.

47 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 the consideration of the items of business referred to 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.

48 EXEMPT MINUTES OF THE MEETING HELD ON 6TH DECEMBER 2010

The exempt minutes of the meeting held on 6th December 2010 were confirmed.

49 INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS REPORT

The Sub-Committee considered a report informing Members of recent Internal Audit activity on investigations across the Council and providing an update on matters arising since the last meeting of the Audit Sub-Committee. The report detailed new areas investigated, expanded on cases of interest, detailed the cases on the fraud register and provided a further update on the results of the National Fraud Initiative (NFI).

The Meeting ended at 11.27 pm

Chairman

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Agenda Item 5

Report No.
LDCS11041

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: **Audit Sub-Committee**

Date: **16th June 2011**

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

Title: **MATTERS OUTSTANDING FROM PREVIOUS MEETINGS**

Contact Officer: Lauren Wallis, Democratic Services Officer
Tel: 020 8461 7594 E-mail: lauren.wallis@bromley.gov.uk

Chief Officer: Mark Bowen - Director of Resources

Ward: Not applicable

1. Reason for report

1.1 To advise the Sub-Committee of matters outstanding from previous meetings and progress made.

2. RECOMMENDATION

That progress with matters outstanding from previous meetings be noted.

Corporate Policy

1. Policy Status: N/A.
 2. BBB Priority: Excellent Council.
-

Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A.
 3. Budget head/performance centre: Democratic Services
 4. Total current budget for this head: £434,444
 5. Source of funding: 2010/11 Budget
-

Staff

1. Number of staff (current and additional): There are 10 posts in the Democratic Services Team
 2. If from existing staff resources, number of staff hours: Monitoring the Committee's matters arising takes a few hours staff time between each meeting.
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Legal

1. Legal Requirement: No statutory requirement or Government guidance.
 2. Call-in: Call-in is not applicable. This report does not involve an executive decision.
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): This report is intended primarily for the benefit of Sub-Committee Members.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 Attached is a list of matters outstanding from previous meetings of the Audit Sub-Committee and progress made on those matters. Would Members please note that once an outstanding matter is considered completed by the Sub-Committee then it will be removed from future lists.

Non-Applicable Sections:	Policy, Financial, Legal and Personnel.
Background Documents: (Access via Contact Officer)	The minutes of previous meetings of the Audit Sub-Committee

AUDIT SUB-COMMITTEE - MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

Issue & Date	Summary	Action Being Taken	By	Estimated Completion
General Debtors Minute 32(b)(i) 06.12.10	It was agreed that a report outlining the issues of school debts to be submitted to CYP PDS Committee.	Report referred to CYP PDS Committee.	Head of CYP Finance	June or September 2011
A&CS Debtors Minute 32(b)(i) 06.12.10	It was agreed that a report including the breakdown of the ACS-General category for debts over a year old be submitted to A&C PDS Committee and the Committee be asked to make recommendations on how to reduce the level of long term debt.	Addressed in the progress report. Report referred to A&C PDS Committee.	Head of A&CS Finance	June or July 2011
Housing Benefit – Letter to Minister re Housing Benefit Centralisation Minute 32(b)(iv) 06.12.10	The Chairman to write to the DWP on behalf of the Audit Sub to outline concerns regarding the Government’s proposals for the investigation of benefit fraud.	Letter sent by Chairman and response received. Matter closed.	Chairman of the Audit Sub-Committee/ Chief Internal Auditor	March 2011
Burnt Ash Primary School Minute 35/1 (c) 06.12.10 (Part 2)	A report to be presented to CYP PDS Committee (20.12.10).	The report was submitted to CYP PDS Committee on 24.01.11 and the outcome is recorded in the confidential minutes of this meeting. Further update to the Sub-Committee in June 2011 in Part 2 of the meeting.	Head of Finance - CYP	March 2011
Student Exemption Fraud – Case 257 Minutes 35/1 (e) 06.12.10 (Part 2)	Resolved that the Department of Education be notified of this case.	Letter sent by Chairman and response received. Matter closed.	Deputy Chief Internal Auditor / Chairman	June 2011
Intercepted Cheque – Hayes Primary School Minute 35/1 (f) 06.12.10 (Part 2)	The Chairman to write, on behalf of Audit Sub-Committee, to the Chairman of the Bank drawing attention to the matter and the lack of co-operation received by the Council.	Police investigated. Matter is now closed. Please refer to Part 2.	Chief Internal Auditor	June 2011

Parking Income Minute 44 (g) 16.03.11	The Sub-Committee to be emailed with the details of the checks made when considering car parking income.	The Sub-Committee was emailed with the details of the checks made when considering car parking income. See Internal Audit Progress Report.	Deputy Chief Internal Auditor	COMPLETE
CareLink Minute 44 (j) 16.03.11	A report regarding the CareLink audit issues be submitted to the next meeting for the Sub-Committee.	See Internal Audit Progress Report	Deputy Chief Internal Auditor	June 2011 COMPLETE
Risk Register Minute 44 (l) 16.03.11	The updated Risk Register be submitted to the next meeting of the Sub-Committee.	See Internal Audit Progress Report	Deputy Chief Internal Auditor	June 2011 COMPLETE
Previous Priority One Recommendations (Appendix B) Minute 44 (m) 16.03.11	A report on parking income reconciliation be submitted to the next meeting of the Sub-Committee.	See Internal Audit Progress Report	Deputy Chief Internal Auditor	June 2011
Children and Family Centres Minute 49/1 (c) 16.03.11 (Part 2)	(a) The Chairman of the Audit Sub-Committee be informed of the outcome on the audit regarding family centres; (b) this matter be referred to CYP PDS Committee 03.05.11; (c) that the staff who bought this matter to light be thanked; and (d) a report on this matter be submitted to the next meeting of the Sub-Committee.	(a) (b) this matter was referred to CYP PDS Committee on 03.05.11 (c) (d) see Internal Audit Fraud and Investigation Progress Report	(a) Democratic Services Manager (b) (c) (d) Deputy Chief Internal Auditor	June 2011
Libraries – Case 270 Minute 49/1 (e) 16.03.11 (Part 2)	A report on this matter be submitted to the next meeting of the Sub-Committee.	See Internal Audit Fraud and Investigation Progress Report	Deputy Chief Internal Auditor	June 2011 COMPLETE
Council Tax Exemption Fraud –Case 288 Minute 49/1 (f) 16.03.11 (Part 2)	A report on this matter be submitted to the next meeting of the Sub-Committee.	See Internal Audit Fraud and Investigation Progress Report	Deputy Chief Internal Auditor	June 2011 COMPLETE

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Agenda Item 6

Report No.
CEO 1174

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

<Please select>

Decision Maker: **Audit Sub Committee**

Date: **7th June 2011**

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

Title: **INTERNAL AUDIT PROGRESS REPORT**

Contact Officer: Mark Gibson, Chief Internal Auditor
Tel: 020 8313 4295 E-mail: mark.gibson@bromley.gov.uk

Chief Officer: Doug Patterson, Chief Executive

Ward: All

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:-

3.1 Outstanding Matters

3.2 Previous Priority One Recommendations

3.4 Debtors

3.12 Value for Money (VfM)

3.14 Current Matters

3.15 New Priority One Recommendations

3.20 Housing Benefit Update

3.27 Terms of Reference

3.38 Head of Audit role

3.40 Risk Management

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. (para 3.17)**
- c. **Members to note and agree the proposed change of the terms of reference for the sub committee in line with previous recommendations (para 3.24)**

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: £616,250.
 5. Source of funding: N/A
-

Staff

1. Number of staff (current and additional): 10 FTE(excluding Greenwich Fraud Partnership)
 2. If from existing staff resources, number of staff hours: 302 days per quarter
-

Legal

1. Legal Requirement: Statutory requirement. Accounts and Audit Regs 2011
 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 Previous priority one recommendations

3.3 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 the original priority one recommendations made with an update where applicable.

3.4 Debtors.

3.5 At the last meeting of this committee members had noted the amount of long term ACS debts totalled £916K out of a total of £1.57million. As a result they requested that this matter should be reported to ACS PDS Committee including a breakdown of the general category and recommendations on how to reduce the level of long term debt. Liberata have introduced a new system to analyse debts. Unfortunately, this matter has not yet been considered by the PDS Committee but will be on a future agenda.

3.6 Audit Activity and Performance

3.7 For the year ended 31st March 2011 we issued 166 reports against the plan to either draft or final stage. These include full systems and probity audits, schools and follow up audits. This equates to delivery of approximately 89% of the audit plan against the target of 90%.

3.8 88% of the audits have been completed within the agreed budgeted time allowed against a performance indicator requirement of 90% and the feedback from clients has been very positive with an average score of 4.3 out of 5 against the target of 3.

3.9 A target that has been partially 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 only 85%. Ongoing reasons for this including awaiting information from clients, extending the original scope where there are major findings and auditors being asked to carry out ad hoc work including investigations, staff vacancy, sick leave and work currently being undertaken for LB Greenwich.

3.10 The planned schools audits have all been achieved to date. There are a number of secondary schools that are due to become Academies in 2011/12 and will therefore be subject to closure audits. With the abolition of the FMSiS external assessment requirement we have reverted to carrying out the normal auditing for the primary schools for 2010/11 and 2011/12. The schools annual report is on the agenda for this meeting.

3.11 The financial regulations and financial procedures have been redrafted by Internal Audit to clarify, where applicable, the changes in management structures following the retirement of the former Director of Resources and recently reflected in the scheme of delegation presented at full Council last month. This is about making the distinction between the Section 151 officer role, vested with the Finance Director and the Monitoring Officer and follows the amalgamation of central departments under a new Director of Resources.

3.12 Value for Money (VfM)

3.13 Members of this committee had previously agreed a simple methodology for Internal Audit to use in assessing the value for money arrangements for designated areas covered in the audit plan. The emphasis was that although Internal Audit should remain focussed on its core business it was well placed to carry out VfM using the methodology. The Sub-Committee also noted the role of the Organisational Improvement Team where lower scores of 1 or 2 were achieved. Following concerns expressed over the implementation and reporting of this approach to value for money the scoring matrix for reviewing VfM risks and controls has been slightly modified to include customer complaints under 'Customer Satisfaction' and internal and external reviews under 'Assessment of Service'. The resulting matrix has been fully discussed with management and the pertinent audit reviews in 2011/12 that can use this approach are being taken forward as part of the annual programme of work. One matter that has been raised by management is the potential gap in adequate benchmarking information following the cancellation of the national indicator set and the upcoming demise of the audit commission. The audit team along with the organisational improvement team will be looking to provide help and advise on how best business areas can look to compare their performance with others using information and research that is made available.

3.14 Current Matters

3.15 New priority one recommendations

3.16 Out of Hours Site Security

3.17 There was one new priority one recommendation in the finalised reports since the last cycle. Testing of a sample of people who have been issued an access card could not confirm that only current Bromley employees or selected Contractor's staff have an active access card. The sample of 25 access cards revealed a number of mismatches including people who were not on a list of current Bromley employees and it was hard to ascertain if some persons were current or previous employee. Three cards were found to still be active despite the employee having left the authority. In response to the audit findings managers have been reminded of their responsibility to complete workforce removal requests as expected for leavers. In addition, in liaison with Information Systems, reports will be run from the system to identify potential people who should be removed from the system. Management will be consulted as to whether to remove the people identified. Additionally, comments have been received stating that since the audit a continual cleansing exercise has been undertaken to highlight cards where there has been no use and a reminder to Managers to alert their Systems Administrators when staff leave has been put in train.

3.18 Children Centres

3.19 Eight priority ones were made following an investigation that are expanded upon in part two of this agenda

3.20 Housing Benefit Update

3.21 Since the inception of the partnership in April 2002, through to March 2011, the Council has successfully prosecuted 269 claimants to date for benefit fraud; issued 245 court summonses; given 86 formal cautions; and administered 263 penalties. The full details and appendices on trends are shown in Appendices B, C and D.

3.22 There are a few ongoing cases where the partnership is still in the process of recovering large fraudulent overpayments by confiscation of assets using the Proceeds of Crime legislation.

3.23 Housing Benefit Future Proposals

3.24 At previous meetings of this committee we had reported our concerns on central government proposals to set up a single integrated fraud investigation service under the control of the DWP with effect from April 2013. Consultation is still ongoing but it appears that this proposal will go ahead. Following the last meeting the Chairman has written to the minister strongly outlining our concerns and has now received a reply. The Chairman's letter referred to long delays and inaction for cases requiring prosecution on the part of the DWP compared with those cases dealt directly by the Greenwich fraud partnership. Whilst appreciating the reply and the fact that Local Authorities would be included in the consultations regarding the set up of the new integrated service the fear remains that the local knowledge and faster reaction of dealing with fraud currently being delivered by the Greenwich Fraud partnership will be put in jeopardy. (the future proposals are attached as a background paper)

3.25 Partnership Working

3.26 We had reported previously our intention to work closely with the London Borough of Greenwich. The agreement now drawn up requires Internal Audit Bromley to carry out a number of audits on behalf of the Internal Audit and Anti Fraud Team of the London Borough of Greenwich that equates to 250 days minimally. This should help generate income to offset, in part, the savings target of 25% set for the division.

3.27 Audit Sub Committee Terms of Reference and New Government proposals

3.28 Although Members of the Audit Sub had received a presentation on the roles of Internal and External audit as well as the standard terms of reference proposed by CIPFA in the past these were never formally adopted at the time the list included the following items.

- Approve (but not direct) internal audit's strategy, plan and performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Consider the reports of external audit and inspection agencies.
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements.
- Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

3.29 Given that the current committee effectively discharges these functions it seems appropriate to revise the current terms of reference contained in the constitution.

3.30 The current terms of reference state the Audit Sub-Committee (Membership proportional - may include one Member of the Executive from each recognised party group, subject to Executive Members not being in a majority) covering:-

- (a) Financial Regulations
- (b) Fraud prevention

- (c) Internal and external audit
- (d) Scrutiny of selected invoices.

3.31 The government is currently consulting on a paper which would mean the terms of reference and the composition of the Audit Sub Committee may need to be revised so the suggested bullet pointed list above is an interim list until such time as the future of public audit in respect of external audit appointments is clarified.

3.32 Structure of Audit Committees

3.33 The Government envisages that in the new system, an Audit Committee could be structured in the following way:

3.34 The Chair should be independent of the local public body. The Vice-Chair would also be independent, to allow for the possible absence of the chair. The elected members on the Audit Committee should be non-executive, non-cabinet members, sourced from the audited body and at least one should have recent and relevant financial experience (it is recommended that a third of members have recent and relevant financial experience where possible). There would be a majority of members of the committee who were independent of the local public body.

3.35 Independent members of the committee

3.36 When choosing an independent member of the committee, a person can only be considered for the position if:

- he or she has not been a member nor an officer of the local authority/public body within five years before the date of the appointment
- is not a member nor an officer of that or any other relevant authority
- is not a relative nor a close friend of a member or an officer of the body/authority
- has applied for the appointment
- has been approved by a majority of the members of the council
- the position has been advertised in at least one newspaper distributed in the local area and in other similar publications or websites that the body/local authority considered appropriate

3.37 Although the proposals are out for consultation until the end of June 2011 it is likely that there will be some changes made eventually. The government is looking for feedback and the full consultation is attached as part of the background papers.

3.38 Head of Internal Audit in public service statement from CIPFA

The Statement supports CIPFA's work to strengthen governance, risk management and internal audit across public services. It is intended to allow the "Leadership Team" of a public service organisation to benchmark its existing arrangements against a defined framework. CIPFA recommends that organisations should report publically on compliance to demonstrate their commitment to good practice. The statement recognises that the Head of Internal Audit will play a critical role in delivering the organisation's strategic objectives by:

- championing best practice in governance and management, objectively assessing the adequacy of governance and management of existing risks,
- commenting on responses to emerging risks and proposed developments; and
- giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

To perform this role the Head of Internal Audit:

- must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;
- must lead and direct an internal audit service that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

3.39 Compliance with this statement will be reviewed as part of the peer review of Audit practices being undertaken in conjunction with another Authority. The main elements of the role are adequately covered at Bromley.

3.40 Risk Management

3.41 Risk Register

We attach a schedule of the current net high risks (Appendix E). Given the ongoing need for service reduction planning a number of the risks will require closer monitoring and updating with new risks emerging.

The full risk register can be accessed via the Managers' Toolkit on onebromley. See following link to the Risk Management and Insurance site:

<http://onebromley/HDoI/ManKit/wikisite/Wiki%20Pages/Risk%20Management%20and%20Insurance.aspx>

Currently there are 175 risks of which 22 are high (13%), 89 are medium (51%) and 64 are low (36%).

We use a 5x5 matrix to assess risks and measure both the gross risk (before any controls are taken into account) and the net or residual risk.

4. POLICY IMPLICATIONS

4.1 None.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL IMPLICATIONS

6.1 None.

7. PERSONNEL IMPLICATIONS

7.1 None.

Non-Applicable Sections:	[List non-applicable sections here]
Background Documents: (Access via Contact Officer)	http://www.dwp.gov.uk/docs/tackling-fraud-and-error.pdf http://www.communities.gov.uk/documents/localgovernment/pdf/1876169.pdf

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Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
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) and Assistant Director Care Services	The finance team have increased the resources allocated to direct payments to improve monitoring. Clients are requested to submit supporting documentation quarterly for monitoring and issues and returns are now logged on a control spreadsheet. Monitoring officers have set deadlines to follow up returns and after a reminder letter cases are referred to the appropriate Group Manager. This has now been tested and early indications are that care managers are not following up referrals from Finance where monitoring has not been submitted. The matter has been passed to senior management for comment and action.	High
ENV/004/01/2009	Parking Income 2009-10	Limited Assurance	1	The 2010/11 Audit identified - Pay and Display Daily Collection Sheets for Parking Kiosk income had been reconciled to Oracle listing reports up to 2/11/10 [Week 32], Car Park Ticket income had been reconciled to Oracle across different car parks for various periods of time from the end of Oct/Nov 2010. Mobile Phone income has been reconciled to Oracle up to the end of Oct 2010. Season Ticket income [via yes pay] has been reconciled against the Parkare income listing report up to end Nov 2010, with some discrepancies identified and these were being investigated by management. Therefore reconciliations were not up-to-date or signed/dated as expected. Office procedures did not detail the exact process that take place for each reconciliation type including timings.	In progress	CCTV Enforcement & Contract Manager	Update 16/5/11 Parking reconciliations have now been carried out up to the 31/3/11 for Car Park Kiosk income, Pay and Display in Car Parks 1/4/11. Pay and Display On-Street and Credit Cards parking payments 31/3/11. However as reconciliations are only complete to Nov 10 for Season Tickets and Jan 11 for Mobile Phone parking payments the end of year reconciliation has not been finalised as of 16/5/11. Management are still reviewing the reconciliation process for the upcoming year to improve efficiency.	High
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 responsibility in October 2009 & Interim Head Of Revenues & Bens.	Management accepted the recommendation. There is currently an audit of this area when this recommendation will be followed up. The largest debtor is William Verry Ltd for £108,890 that will be written off as the company are now in liquidation. There are 4 debts totalling £182,555 that relate to residential care where a charge has been placed on the property. Update as part of 10/11 debtors review - figures as at 31/10/10 for outstanding debts over a year old are as follows: Domiciliary Care £1,369,070 and Non Domiciliary Care £1,687,588.30. Non Domiciliary Care debts over a year old have increased by £412,231.30 since the previous internal audit review whereby an outstanding debt of £1,275,337 was reported as at 31/01/10. Debt recovery procedures have not yet been updated, awaiting go -live date of Oracle Advanced Collections, currently scheduled for early 2011. Bromley Exchequer Services Team has undertaken some work to analyse the top ten debts outstanding within each department.	High
ACS/069/01/2009	Emergency Accommodation & Rent Accounts	Nil Assurance	10/s	Part 2	In progress	Interim Head of Revenues & Benefits/ Exchequer Manager	The follow up audit has been completed and identified that three of the four priority 1 recommendations have been partially implemented; completion of the ANITE project, improved arrears monitoring and recovery and application of the correct rent debit are still in progress. The recommendation relating to regular reconciliation between the Housing Rents system and ORACLE had been fully implemented.	High
ACS/P42/01/2010	FMSIS assessment of Primary School C 2010-11	n/a to FMSIS	1	After the external assessment visit internal audit were made aware that Strictly Educational, the schools payroll provider up until 31st May 2010, had paid staff for the June pay run. The new contractor had correctly paid staff for the month of June too. Salary costs totalling £84,983.68 for June 2010 had been charged in error to the school's accounts from the previous payroll provider. The school are taking steps to recover the overpayment to staff (Strictly Educational had collected £8,152.70) and they are also seeking to recover pension, tax and NI contributions from Strictly Educational. Report recommendation was The school should continue to recover monies from staff and Strictly Educational for payments related to the June 2010 pay run.	In progress	Head Teacher and Office/Finance Manager	Management Action Plan Comments - Bromley Legal Team supported our school with instructing Strictly to return the monies paid by staff straight to us. All staff have either paid the full amount back to our school account or have made arrangements with us to repay the money within 6 months. All monies to be repaid by February 2011. Internal Audit will obtain an update in February 2011. Update as of 4/1/10, the school have confirmed that £18,399 remains unpaid however there are arrangements in place to collect this by 31/02/11. Update 3/02/11, £10,701.70 still outstanding. Update 28th April 2011 £3,257.96 outstanding. Of this amount £1,762 is being taken to the small claims court (relates to 2 individuals) and the school is hoping to collect the balance of £1,495.96 by the end of May 2011.	Low

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
RD/096/01/2010	IT Disaster Recovery	Limited Assurance	1	<p>It was identified that a specific ICT Disaster Recovery Plan has not been created, though some DR provisions are included within the Business Continuity Plan. A draft DR plan was created, though never adopted due to costing issues and problems securing a DR contractor.</p> <p>Recommendations from Operation Coldplay were that Service area's BCPs should accommodate Disaster Recovery (DR) arrangements for IT and that there is a need to progress corporate DR decisions.</p> <p>Additionally it was found that although Officers responsible for escalating problems up to disaster recovery are listed, the procedures for this to happen are not.</p>	In progress	Contracts and Consultancy Manager & IT Technology Manager	<p>A documented Disaster recovery plan should be created which will include specific actions to be taken, staff responsibilities and contact details, hardware/software requirements and budget provisions. Additionally it should include details of how work is ordered/approved/monitored in a DR scenario. Initial document has been drafted for review.</p> <p>Further review will be undertaken when new ICT Contractor is appointed and taken over the service.</p> <p>A revised implementation date for this Recommendation is 01/06/2011, the review cannot take place until then.</p>	Low
CYP/Inv/2010	Primary School B	N/A	1	Part 2	In Progress	HT	Part 2	High
CYP/Inv/2010	Childrens Centres	N/A	2	Part 2	In Progress	Asst Dir(Access & Inc.)	Part 2	High
LD/001/01/2010	Out of Hours Site Security	Limited Assurance	1	<p>Testing of a sample of people who have been issued an access card could not confirm that only current Bromley employees or selected Contractor's staff have an active access card. Of a sample of 25 access cards that have been issued, where it was identified people were not on a list of current Bromley employees, for 7 cards it could not be ascertained for the card issued if this person was a current or previous employee. Three cards were found to still be active despite the employee having left the authority.</p> <p>Additionally it was identified that 44 members of staff and councillors have 2 active access cards.</p>	In Progress	Assistant Director Audit and Technical Facilities & Support Services Manager Head of ICT	<p>Managers via CMG will be reminded of their responsibility to complete work force removal requests as expected for leavers.</p> <p>In liaison with ISD, reports will be run from the system to identify potential people who should be removed from the system. Management will be consulted as to whether to remove the people identified.</p>	High
CYP/Inv/2010	Childrens Centres	N/A	8	Part 2	In Progress	Asst Dir(Access & Inc.)	Part 2	High

The following priority one recommendations have been implemented:
Emergency accommodation & Rent accounts - 3 of the 4 priority ones have been implemented

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

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

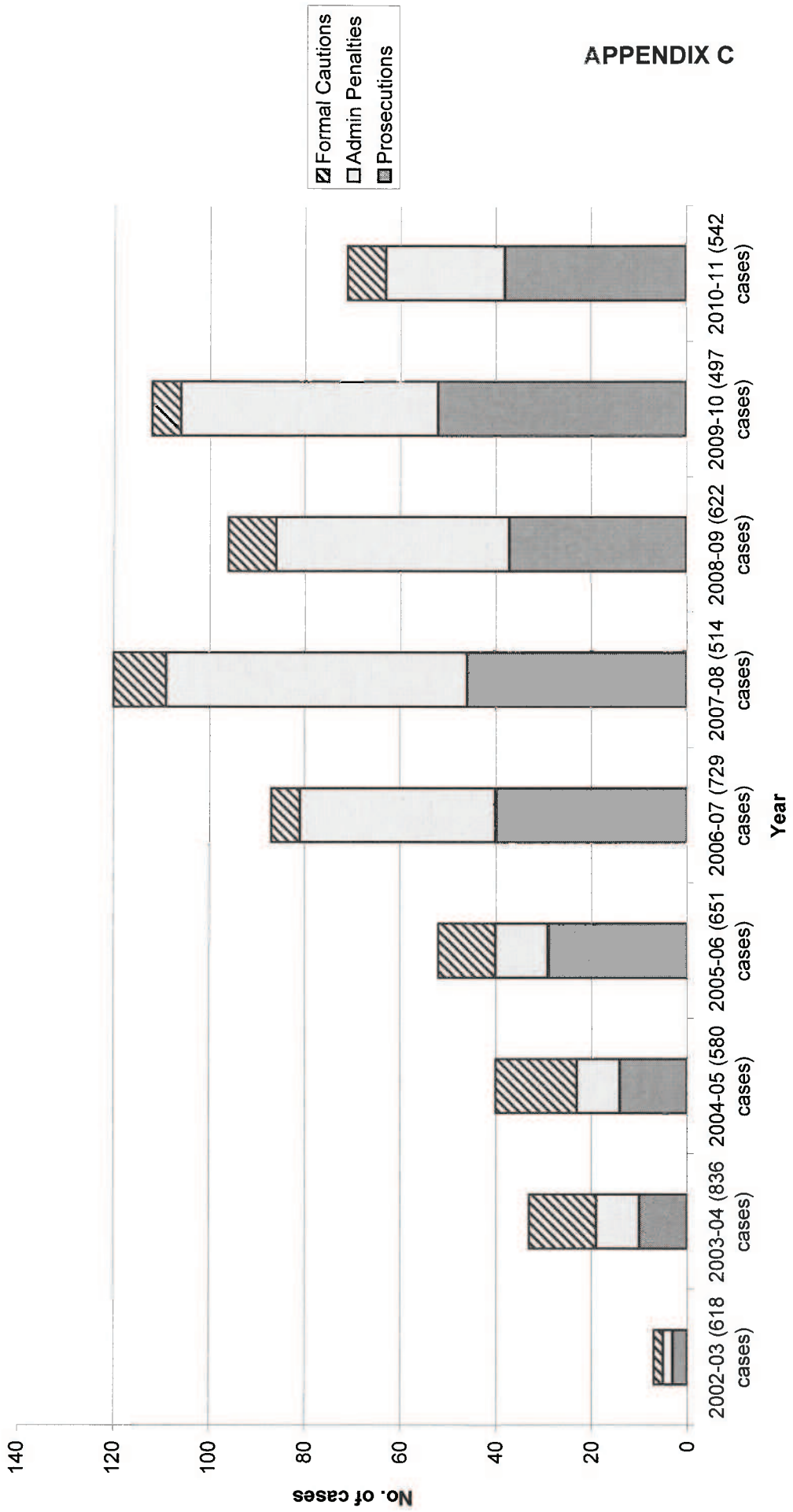
2008/2009	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	27	55	41	69	52	57	67	78	39	36	25	76	622
Confidential Hotline	11	8	9	3	13	19	10	13	7	12	10	9	124
Interviews	36	29	51	42	22	28	38	40	34	43	42	53	458
Claimant Visits	16	11	20	17	16	8	19	19	2	25	15	10	178
Prosecutions	6	2	3	8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

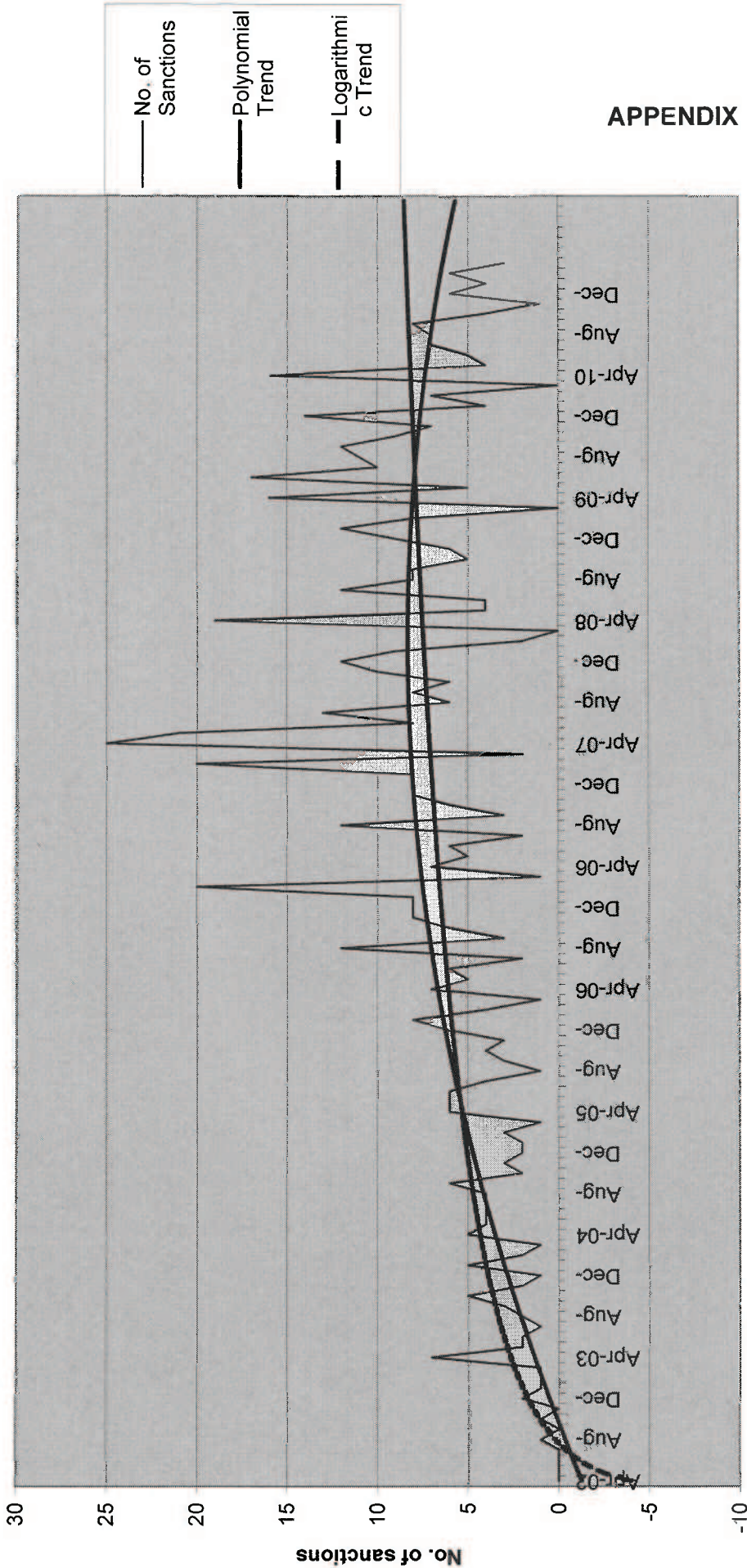
2010/2011	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	21	44	44	39	47	51	41	39	25	56	59	76	542
Confidential Hotline	5	10	9	9	13	15	15	10	7	7	9	17	126
Interviews	12	11	5	14	8	27	16	19	9	31	20	30	202
Claimant Visits	1	5	4		4	9	4	7		4	7	9	54
Prosecutions	6	3	3	3	6	4	3	1	5	1	3		38
Court Summonses	1	3	3		2	2	1	2		3	3	1	21
Admin Penalties	8	1	2	3		3	1			3	2	2	25
Formal Cautions	2			1	1	1			1		1	1	8

APPENDIX C

HB Sanctions - Annual Comparison



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



Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
CEX/COM.0007	Chief Executive's	Communications	Communications	Failure to handle crisis communications in a major incident correctly Political - Strategic	Director CX	<p>Controls:</p> <ol style="list-style-type: none"> 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. <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - 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.)
CEX/IEE.0353	Chief Executive's	Organisational Improvement	Improvement, Effectiveness and Efficiency	Failure to deliver on efficiency projects with the Organisational Improvement Programme will result in savings having to be made elsewhere, for example frontline services Political - Strategic	Chris Spellman	<p>Controls:</p> <ol style="list-style-type: none"> 1. Programme Board set up chaired by Chief Executive with cross-organisation representatives and monthly monitoring reports <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - Closer Member engagement and involvement in OIP process

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
CYP/A&A.0257	Children and Young People	Access and Inclusion	Access and Admissions	<p>Pupil Attendance - Primary Schools</p> <p>Failure to achieve target for improved pupil attendance across all primary schools.</p> <p>Financial - Operational</p>	AD Access and Inclusion	<p>Controls:</p> <ol style="list-style-type: none"> Continue to monitor absence data for all primary schools. Multi-agency work to target and support primary school attendance. Ensure primary schools apply consistent interpretation of authorised absence. <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> Ensure maintenance of basic EWO service provision for all schools. Intro of Incentive Schemes in primary schools. Successful roll-out of Spike initiative to all primary schools in 2009/10 having positive impact.
CYP/ALL.0245	Children and Young People	All CYP Divisions	All CYP Sections	<p>Council Budget Savings</p> <p>CYP contribution of £6.8m towards 2011/12 and 2012/13 savings has an adverse impact on CYP service delivery and jobs.</p> <p>Insufficient financial resources for the CYP Dept to discharge its statutory responsibilities and key priorities.</p> <p>Identified as 'Corporate Risk' due to severity of cuts and the no. of redundancies arising from the cuts.</p> <p>Financial - Operational Political - Strategic (See also CYP/149-0272)</p>	Director CYP / Chief Exec	<p>Controls:</p> <ol style="list-style-type: none"> Existing financial risk management strategies Medium Term Financial Strategy. <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> Report DCYP11020 to CYP PDS 24/11/11 identified £6.8m CYP savings for 2011/12 and 2012/13 for consultation. All CYP savings except funding for the Vols in Child Protection Project approved at 28/2/11 Council meeting. Council agreed additional funding for SEN children entitled to transport provision, referrals into Children's Social Care and Children's Placements. Production of Action Plan to monitor and review achievement of savings and their effect.

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
CYP/ALL.0247	Children and Young People	All CYP Divisions	All CYP Sections	<p>Inspections</p> <p>Poor inspection outcomes for CYP Services.</p> <p>Ofsted inspection of Safeguarding and LAC (April 2010) resulted in a 'Adequate with some Good Features' judgement.</p> <p>Annual Ofsted inspection of Children's Services (Dec 2010) resulted in a Rating of 3 out of 4 - 'Performs Well'.</p> <p>Professional - Operational</p>	Director CYP	<p>Controls:</p> <ol style="list-style-type: none"> Robust performance management at manager, Member and Partnership Board level. Learning from other local authorities. Good project management and achievement of key milestones. <p>Actions:</p> <ul style="list-style-type: none"> Strengthen areas of weakness. CYP Plan achieves desired outcomes. Strive for 'outstanding' judgements in 2011 inspections through robust monitoring and review of service provision and good preparation for scheduled inspections. Production of Action Plus following inspections.
CYP/SAA.0320	Children and Young People	Learning and Achievement	Standards and Achievement	<p>School Standards</p> <p>Failure to improve under-performance in Primary School Improvement Service as a result of re-organisation following Departmental budget reductions. The reduction in the number of inadequate primary schools was one of the 2 priorities for action identified in the Annual Ofsted inspection of Children's Services (Dec 2010).</p> <p>Sustain and improve standards in Bromley schools and deal effectively with the school's causing concern.</p> <p>Professional - Operational</p>	AD Learning and Achievement	<p>Controls:</p> <ol style="list-style-type: none"> Primary School Improvement Policy. <p>Actions:</p> <ul style="list-style-type: none"> Re-organisation of School Improvement Service spring 2011. Aim of primary school improvement policy is to raise standards in all Bromley schools and reduce disparity of performance. Ensure early intervention in schools where there is cause for concern. Target support to bring schools out of special measures. Categorise schools according to need and deploy resources appropriately to ensure bespoke support/challenge. Evaluate effectiveness of the support provided to schools causing concern through detailed plans for improvement and ensure accountability rests with school stakeholders.

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
CYP/SSC.0178	Children and Young People	Safeguarding and Social Care	All Safeguarding and Social Care Sections	<p>R&R of SW Staff Failure to recruit and retain suitably qualified Children's Social Work 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 dealing with an increase in referrals/caseloads following the 'Baby P' Haringey Child Protection Case in Autumn 2008 - 2008/09. - Referrals increased by 149% to 8,000 in 2009/10 - Initial assessments have increased by 88% in the same period. - Addressing areas for improvement in Safeguarding and LAC Services was one of the 2 priorities for action identified in the Annual Ofsted inspection of Children's Services (Dec 2010).</p> <p>Personnel - Operational</p>	AD Safeguarding and Social Care	<p>Controls: 1. Regular monthly review of staffing positions with HR. 2. Adhere to recruitment and retention strategies and monitor impact. 3. Strict monitoring of supervision/appraisal/perf data.</p> <p>Actions: - Re-structuring of teams to reduce the frequency of change in Social Workers. - Recruitment of Social Workers from USA. - Management action to ensure that a high proportion of social work posts are filled by permanent staff. - Improvements to existing R&R package implemented Jan 2010. - Capacity of Children's Social Care Services to address increase involvement strengthened. - Capacity of Legal Services to address statutory functions in relation to Child Care Proceedings strengthened.</p>
CYP/149.0272	Children and Young People/ Corporate	All CYP Divisions	All CYP Sections	<p>Govt Grant Funding Adverse impact of withdrawal of Govt Grants of CYP Service delivery and jobs. 2010/11 in-year Govt grant reductions of £1.4m within CYP Services. Identified as 'Corporate Risk' due to the severity of the cuts and the number of redundancies arising from the cuts. (See also CYP/ALL.0245) Financial - Operational Economic - Strategic</p>	Director CYP/ Chief Exec	<p>Controls: 1. Continue to monitor Coalition Govt announcements to react to financial/statutory changes.</p> <p>Actions: - Report DCYP10114 identified the savings to be made to meet the £1.4m reduction. - Achievement of savings required changes in planned service activity and staff re-organisation. - Invoke established HR procedures for managing redundancies and redeployment. - Investigate potential for sold services.</p>

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
NEW	Children and Young People/ Corporate	All CYP Divisions	All CYP Services	<p>Academy Status</p> <p>Impact of Academies Act - uptake of Academy Status by schools results in following risks:</p> <ul style="list-style-type: none"> - financial; loss of budget to CYP Dept and Council as a whole; - strategic; implications for LA strategic responsibilities e.g. pupil place planning, school org'n, pupil adms, SEN position, excluded pupils, School Improvement, safeguarding, child protection, Looked After Children; - local Ed framework; unity, cohesion, collective accountability, future capacity of the LA. <p>The more schools that attain Academy Status the higher the impact.</p> <p>Financial threat to the LA as a whole has resulted in this being flagged as a 'Corporate' Risk.</p> <p>Financial - Operational</p>	Director CYP/ Chief Exec	<p>Controls:</p> <ol style="list-style-type: none"> 1. Monitor and review Govt announcements and plan accordingly. <p>Actions:</p> <ul style="list-style-type: none"> - Assess and manage impact and plan accordingly, currently all Sec Schools are expected to go by Sept 2011. - LBB Finance Officers are modelling the financial implications to enable assumptions to be made about 'Top Slicing' - this will include CYP functions, HR, Property, Finance and Legal Services. - Investigate potential for selling Council Services to schools.
ENV/SDS 0209	Environmental Services	Strategy Development & Services	All SDS Sections	<p>Failure to implement and keep up-dated effective council-wide Business Continuity Plans</p> <p>Reputational - Strategic</p>	Steve Lewis	<p>Controls:</p> <ol style="list-style-type: none"> 1. Key critical systems identified 2. Updating Business Continuity Plan and database (Civil Contingencies Act 2004) 3. Emergency Planning and Business Continuity training <p>Actions:</p> <ul style="list-style-type: none"> - Individual service continuity plans need updating - Contractors' BCPs checked

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
ENV/TAH.0157	Environmental Services	All ENV Divisions	All ENV Sections	Operational Emergencies (e.g. extreme heat, storms, floods, snow) Physical - Operational	Paul Symonds	Controls: 1. Emergency Plan Actions: - Cross discipline trained Local Authority Liaison Officers - Invicta out of hours service - published number and escalation procedure
LDS/ALL.0075	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	All LDS Managers	Controls: 1. Effective training in project management techniques Actions: - Identify key management staff - Through PADS/PRP, identify need for and provide project management training
LDS/ALL.0077	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	All LDS Managers	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
LDS/ALL.0099	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 level Customer / Citizen - Strategic	Director LDS / Sheila Bennett	Controls: 1. Systematic consultation 2. Robust internal customer service standards 3. Continuous learning and feedback Actions:

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
LDS/ELR.0127	Legal, Democratic and Customer Services	Democracy and Registration 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	Carol Ling	Controls: 1. Project Plan 2. Staff Training 3. Adequate insurance Actions:
R&R/TC.D.0281	Renewal and Recreation	Planning	Town Centre Development	Failure to secure development on key sites due to the downturn in the economy Economic - Strategic	Kevin Munnelly	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
RES/TEC.0298	Resources	Finance	Technical and Control	Banking failure Financial - Operational	Pete Turner	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

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
RES/TEC.0299	Resources	Finance	Technical and Control	<p>The Pension Fund does not have sufficient resources to meet all liabilities as they fall due:</p> <ol style="list-style-type: none"> Investment markets fail to perform in line with expectations Market yields move at a variance with assumptions Investment managers fail to achieve their targets over the longer term Longevity horizon continues to expand Deterioration in pattern of early retirements Changes to regulations e.g. more favourable benefits package Administering authority unaware of structural changes in an employer's membership e.g. large fall in employee members, large number of retirements <p>Financial - Operational</p>	Director RES	<p>Controls:</p> <ol style="list-style-type: none"> Financial: Monitoring of investments returns - analysis of valuation reports Demographic: Longevity horizon monitored at triennial reviews quarterly review of retirement levels Regulatory: Monitor draft regulations and respond to consultations - actuarial advice on potential Governance: Encourage other employers to keep Council informed of changes. Bromley Mytime employer's contribution rate to be reviewed annually towards end of contract <p>Actions:</p>
RES/TEC.0300	Resources	Finance	Technical and Control	<p>Failure to manage and control Treasury Management activities</p> <p>Liquidity, Interest rate, Exchange rate, Inflation, Credit and counterparty, Refinancing, Legal and regulatory risks</p> <p>Financial - Operational</p>	Director RES	<p>Controls:</p> <ol style="list-style-type: none"> Regular review meetings Use of external advisors Internal Audit review of activities Reporting to Members <p>Actions:</p> <p>- Periodic reviews of approach in light of economic downturn</p>
RES/TEC.0305	Resources	Finance	Technical and Control	<p>Capital income shortfall due to a reduction in capital receipts and delays in disposals as a result of the economic downturn</p> <p>Economic - Strategic</p>	Director RES	<p>Controls:</p> <ol style="list-style-type: none"> Close monitoring of spend and income Reporting to Members Tight control of spending commitments <p>Actions:</p>

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
RES/FIN.0019	Resources	Finance	Financial Management	<p>Systems for identifying and alerting managers on budgetary failures</p> <p>Financial - Operational</p>	Pete Turner	<p>Controls:</p> <ol style="list-style-type: none"> 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. Review and continuation of Heads of Finance obtaining '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. Further review of key budget systems where high risk of volatility in projections e.g. SEN, SS placements, parking income and report impact of recession 7. Budget monitoring reports to include identification of impact on future years <p>.....</p> <p>Actions:</p> <ul style="list-style-type: none"> - 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

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
RES/FIN.0282	Resources	Finance	Financial Management	<p>Failure to produce and deliver a balanced budget which meets priorities.</p> <p>Greater financial uncertainty to reflect impact of economic downturn, credit crunch, volatile inflation, future public spend constraints for local government and the impact of the property market.</p> <p>Economic - Strategic</p>	Pete Turner	<p>Controls:</p> <ol style="list-style-type: none"> 1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports 2. Departmental risk analysis <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - 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)

* Legal, Democratic and Customer Services risks are being combined with Resources

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

INSTANT GUIDE TO RISK MANAGEMENT

The Process	Identify your risks	Assess your risks	Control your risks	Monitor and Review your risks
<p>Risk Management is an important element of the system of internal control. It is based on a process designed to identify and prioritise risks to achieving Bromley's policies, aims and objectives.</p> <p>The Risk Management process is a continuous cycle:</p> <p>Using your objectives Identify your risks> Assess your risks > Control your risks> Monitor and Review your risks.</p> <p>Useful definitions:</p> <p>Risk Management is the identification, analysis and overall control of those risks which can impact on the Council's ability to deliver its priorities and objectives.</p> <p>Risk is the chance of something happening which will have an impact on objectives.</p> <p>The message is that if you don't manage your risks then you are unlikely to achieve your objectives</p>	<p>Brainstorming session using IE&E plans and departmental objectives, to identify threats and opportunities.</p> <p>Useful analytical tools:</p> <p>Political Economic Social Technological Legal Environmental</p> <p>PESTLE provides a simple and useful framework for identifying and analysing external factors which may have an impact on your service.</p> <p>Strengths Weaknesses Opportunities Threats</p> <p>Using the PESTLE output SWOT is a technique that can help a service to focus on areas for improvement and opportunities that could be pursued.</p> <p>Remember if it can go wrong it will go wrong.</p>	<p>We use a 5 x 5 matrix to assess risks (see Risk Matrix worksheet).</p> <p>Risk is scored using the RAG traffic light system:</p> <p>Red = High Amber = Medium Green = Low</p> <p>There are two risk variables that make up the overall risk rating:</p> <p>Impact – how minor / severe is it when it happens? Likelihood – how likely is it / how often does it happen?</p> <p>The Risk Management Toolkit provides detailed guidance on how to score these.</p> <p>Some of these assessments can be based on past experience. In other cases you will need to take a view.</p> <p>We measure both gross risk (before any controls are taken into account) and net or residual risk.</p>	<p>Consider the controls you have in place to mitigate or reduce the risk.</p> <p>What further controls are required? Record these as actions until they are completed.</p> <p>Consider the cost of any controls against the potential benefit gained.</p> <p>What is our Risk Appetite? An element of risk is unavoidable or we would never do anything!</p> <p>RETAIN a risk – monitor to ensure the impact and likelihood do not change</p> <p>REDUCE a risk – put additional controls in place</p> <p>TRANSFER a risk – by insuring or passing the risk to a third party</p> <p>AVOID a risk – stop doing the activity</p> <p>Risk of service failure can be minimised by ensuring effective Business Continuity Plans are in place. For guidance contact the Emergency Planning Manager Steve Lewis x4388.</p>	<p>Risks should be reviewed at least annually and whenever your business plans change.</p> <p>Remember risks evolve and change over time. Are the controls still effective?</p> <p>Your aim should be to:</p> <p>Manage threats that may hinder delivery of priorities and maximise opportunities that will help to deliver them.</p> <p>The Bromley Risk Register is maintained centrally by Audit and includes details of the risks, risk owners, controls and actions.</p> <p>Further guidance on Risk Management can be found in the Managers' Toolkit on onebromley. This also provides links to the Risk Management Strategy, Risk Management Toolkit and Risk Register.</p> <p>The site also provides a link to the Health and Safety Unit who carry out H&S risk assessments. For guidance contact the Occupational H&S Manager Elaine Pilkington x4386.</p>

Audit 070611 Internal Audit Progress Report - Appendix E.xls

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

RISK MATRIX

		RISK RATING				
IMPACT	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		

Report No.
CEO 1175

London Borough of Bromley

Agenda
Item No. **XX**

PART 1 - PUBLIC

<Please select>

Decision Maker: **Audit Sub Committee**

Date: **7th June 2011**

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

TITLE: INTERNAL AUDIT ANNUAL REPORT 2010-11

Contact Officer: Mark Gibson, , Chief Internal Auditor
Tel: 020 8313 4295 E-mail: mark.gibson@bromley.gov.uk

Chief Officer: Chief Executive, Doug Patterson

Ward: Borough wide

1. Reason for report

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 requires the Chief Executive and the Leader to sign an annual governance statement. This will be put before Members alongside the statutory accounts. 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 and the Annual Governance Statement. Members should note that the Annual Schools Report and the fraud reports are considered by the Audit Sub-Committee separately.

2.RECOMMENDATIONS

Members are asked to note the report and approve the Draft Annual Governance Statement.

Corporate Policy

Existing policy: Excellent Council

Financial

1. Estimated cost n/a
 2. Recurring cost
 3. Budget head Internal Audit<
 4. Total budget for this head £616,500 including the benefit fraud partnership costs
-

Staff

1. Number of staff (current and additional) – 10
 2. If from existing staff resources, number of staff hours – circa 2000 days
-

Legal

1. Statutory requirement: Accounts and Audit Regulations 2011
 2. Call-in is not applicable:
-

Customer Impact

Estimated number of users/beneficiaries (current and projected) - potentially all staff

Ward Councillor Views

not applicable

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 requires 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 Division, a summary of the audits undertaken and associated opinions along with a statement 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 carry this out 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 **detering 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 Finance Director 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 and the Code of Practice.

- 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 our business 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 was 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 although now discontinued for official reporting purposes the fieldwork was undertaken and concluded positively on the elements relating to the work of Internal Audit.
- 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 4.3 out of 5 for the audit satisfaction surveys. Overall 89% of the plan was completed against the annual performance indicator requirement of 90%.
- 3.8 In addition, 88% 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 for the second year running at 85%. 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 will now be reviewed to see if it is still practical. One option being considered is streamlining the turnaround times at each stage of the process so that the total elapsed time is brought closer in line with the target. The importance of this target relates to impact of the audit finding especially if there is a material weaknesses revealed. Another option to alert management through an interim report outlining any specific areas before the full report is finalised.

Audit Activity key points in 2010/11

Risk Management – The risk registers play a key part in the Annual Governance process both corporate and departmental risk registers are maintained. The risks are reported through to the Audit Sub committee and the corporate risks are reported through to the Risk Management group and senior management.

Customer Service – We have received good customer feedback achieving an average score of over 4.3 out of 5 in our audit surveys. 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 to include corporate anti fraud work. In 2010/11 we carried out three audits for LB Greenwich that generated £14K income. In 2011-12 we have agreed to undertake a number of audits for Greenwich under a partnership agreement which will generate income for Bromley.

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 helps to reduce the audit fee as they are able to place reliance on our work.

Benefits Delivered

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

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 are 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 revised 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

3.10 Internal audit has provided 1,301 audit days (1,379 days for 2009-10) to the departments through reviews, investigations 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.

	2009-10	2010-11
Departments	Audit days	Audit days
Corporate Services	493	458
Children and Young People	498	493
Adult and Community services	241	198
Environment	97	60
Recreation and Renewal	50	92
	1,379	1,301

- 3.11 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.
- 3.12 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.
- 3.13 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.

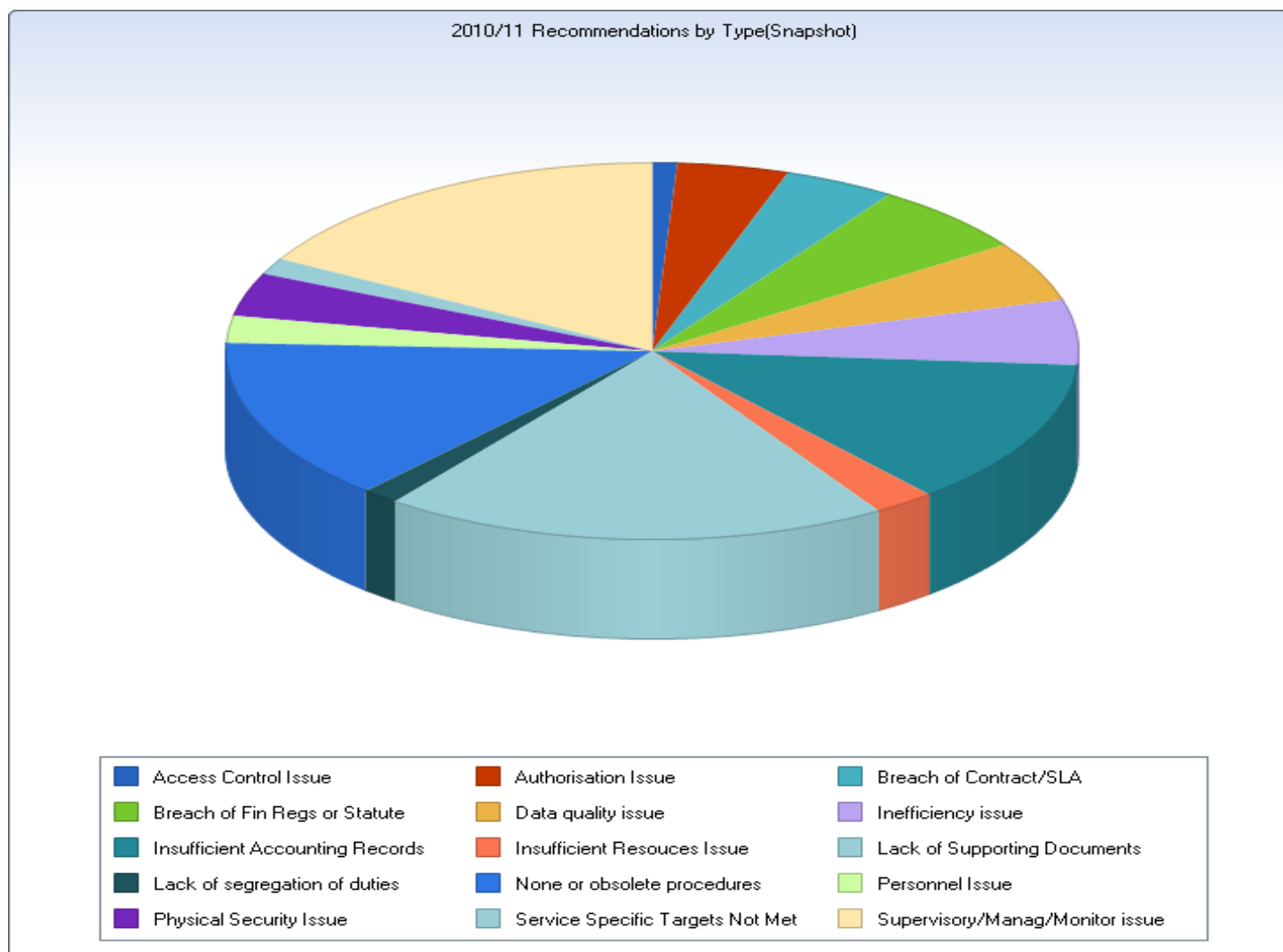
Assurance Level	Definition
Full Assurance	There is a sound system of control designed to achieve all the objectives tested.
Substantial Assurance	While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give 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.

- 3.14 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.
- 3.15 Appendix 1 lists the reports requiring special attention as a result of priority one recommendations both 2010/11 and previous years and reported to Members over the period

including progress on implementation. As reported in March 2011 to this committee, there were nine priority ones regarded as outstanding.

- 3.16 A listing of completed audits is given in appendix 2. 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.
- 3.17 The summary of audit work undertaken resulted in 75 final reports excluding schools work. Of these 39 were classified with full or substantial assurance and 15 limited assurances were given with no nil assurances issued in the year. The remainder were follow up reports or investigation reports. Overall 207 improvement recommendations have been made in the year.
- 3.18 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.

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



Recommendation Category	% of all recommendations	
	2009-10	2010-11
Access Control Issue	1%	1%
Authorisation Issue	3%	4%
Breach of Contract/SLA	1%	4%
Breach of Financial Regulations or Procedures	13%	6%
Data quality issue	4%	5%
Inefficiency issue	4%	5%
Insufficient Accounting Records	11%	12%
Insufficient Resources Issue	1%	2%
Lack of segregation of duties	1%	1%
Lack of Supporting Documents	24%	20%
None or obsolete procedures	13%	14%
Personnel Issue	1%	2%
Physical Security Issue	2%	4%
Supervisory/Monitor issue	21%	19%
Service Specific Targets not met	N/A	1%

- 3.20 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 relatively new feature as this is the second year. The results of the first year demonstrated that the top three headings are lack of evidence, procedures and supervisory issues. These main heading types have been replicated in 2010/11. 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.
- 3.21 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.
- 3.22 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.
- 3.23 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 current priority control weaknesses are addressed by management. This assurance process constitutes part of the Annual Governance Statement which is attached to this report.
- 3.24 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.
- 3.25 For the full Statement please see Appendix 3.

4 LEGAL IMPLICATIONS

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

Non-Applicable Sections:	Finance, Policy, Personnel
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Background Documents: Access via Contact Officer)	Audit sub reports
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PRIORITY ONE SCHEDULE - MARCH 2010 to MARCH 2011

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	6	Part 2 item	Yes	Head of Property Division and Asst Director Exchequer	Of the 6 agreed Priority 1s, 5 have been implemented in respect of issues relating to an overpayment to a contractor, improving the payment process, updating the contract register and compliance with capital procedures. 1 cannot now be actioned due to the company going into liquidation.
RD/06/21/2008	Review of Mobile phone for 2008-09		1	A Mobile Telecommunications policy should be agreed and implemented which clearly outlines the responsibilities of Officers and mobile phone users. The policy should include <ul style="list-style-type: none"> Criteria which should be met before a mobile phone is provided and documentary evidence that a business need for provision of mobile phone has been established. Guidance on acceptable use of business mobile phone Procedure for Lost or stolen phones Procedure for retrieval & reallocation of mobile phones for leavers Procedure to ensure security of the phone Procedure in relation to repayment of private calls Procedure in relation to use and reimbursement of pay as you go mobile phones Monitoring of Fraud and Abuse Health & Safety Once approved the policy should be communicated to all mobile phone users via departmental management structure. Acceptance of the terms and conditions with in the Mobile telecommunication policy should be sought from all mobile phone users.	Closed	Procurement Manager	There has been discussion with ICT Division on how mobile phone contracting arrangements support and relate to the Flexible Working Project. The FWP has been establishing the organisation's requirements for mobile working technology and the proposed policy for issuing mobile phones will be drawn up in accordance with this. There have been discussions held with a number mobile phone fleet and call cost management companies, to research the different options available to analyse usage and reclaim personal calls in order to drive down call costs. Options have also been investigated to maximise network coverage to tackle the areas of the borough with poor reception and to source smart phone hardware from other providers so we are not solely dependent upon T-mobile. This committee recommended that the CEX report on the feasibility of paying staff a mobile phone allowance in return for them using their own phones. A mobile phone policy has been drafted, reviewed by the Head of HR and discussed at a department representative meeting. The proposed date for roll out of this policy is September 2010 to coincide with the new contract. 23 March 2010 - Members agreed that this should be reported to Executive and Resources and General Purposes and Licensing Committee
CYP/P15/01/2008	Review of Primary School A	Not applicable (FMSIS not met)	2	The school will need to provide evidence that the budget situation has been resolved satisfactorily with assistance from SFT. The Scheme of Financial Delegation should be prepared and approved by the Governing Body.	Yes	Head Teacher	The school has agreed to all the recommendations and to a reassessment of compliance with the finance management standard in quarter 4 of this financial year. Internal Audit reassessment of the school due week commencing 8th March 2010. We have been informed that a provisional deficit recovery plan has been produced awaiting approval by the the Director of CYP.
RD/05/01/2008	Debtors 2008-09	Substantial assurance	1	Examination of the aged debt analysis report identified that the outstanding debt owed to the Council totalled £7,083,882 as at 31 January 2009, of which £1,210,973 was over a year old, some dating back to 2005. Examination of a sample of 20 disputed cases identified three instances where the dispute had not been resolved in a timely manner. A recommendation was agreed on the following: Management should ensure that existing procedures are reviewed to ensure that recovery procedures are undertaken in a timely manner. Irrecoverable debts or debts uneconomical to pursue should be written off.	Closed	Revenues Manager (Operations) and Income Manager LBB	The school has been reassessed and has now met the standard. Agreed, collection procedures will be produced and adhered to. Oracle Advanced Collections will assist with workflow (due to be in place by 30/9/09). Audit of debtors for 2009/10 has recently been completed. See RD/005/01/2009 Review of Debtors.

APPENDIX 1
PRIORITY ONES

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments
R&R/006/01/2008	Town Centre Management Audit for 2008-09	Limited Assurance	2	Requirement to tender has been implemented. It was confirmed that there was no comprehensive procedure manual in place that existed as a guide to the day to day operation of the town centres. There is currently no guidance available to the team in relation to events management, specific financial training and there is a lack of financial awareness within the team and their responsibilities. A manual would assist in promoting consistency across the service and would develop the service.	Closed	Assistant Director L&C	This recommendation will be addressed with the appointment of a senior TCM that was approved as part review of the TCM function. This will be followed up as part of the 2010/11 audit planned work. 23 March 2010 - Members satisfied with action on Christmas lights tendering and restructuring arrangement.
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 & Revenues (assumed responsibility from Oct 2009)	The finance team have increased the resources allocated to direct payments to improve monitoring. Clients are requested to submit supporting documentation quarterly for monitoring and issues and returns are now logged on a control spreadsheet. Monitoring officers have set deadlines to follow up returns and after a reminder letter cases are referred to the appropriate Group Manager. This is currently being tested. To be followed up in 2010/11 quarter 3 as part of the planned audit.
ENV/000/01/2009	Review of Transportation Strategy	Limited Assurance	1	Part 2 item	Yes	Director of Env. Services	Management have accepted the Priority 1 recommendation and this is to be implemented immediately. 23 March 2010 - Members agreed that this matter should be closed.
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 the previous year.	Yes	Head of Social Care	Accepted by Management for immediate implementation. Management have taken action to ensure visits to see foster children and contact with carers are occurring and are recorded. 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	Yes	Joint Team Manager/Interim Team Manager	Accepted by Management for immediate implementation. System tightened up to account for all cases. Liaison meetings to account for caes transferred between CYP and ACS.
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.	Yes	Head Teacher and Chair od 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. Two priority ones on budgeting errors and classification of lease resolved. College has now achieved the standard.

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.	Closed	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	An audit of parking income is currently in progress and management have confirmed that the reconciliation is completed for income collection for this period. Cash collections have highlighted a total of £19,161.76 additional income Apr 09 to May 10 which is unable to be reconciled which equates to 0.002% of income collected. The majority of additional income aligns itself to machines that have been unable to provide accurate income receipts. After consultation with Audit the reconciliation of every amount received against every amount posted (over 50,000 transactions) should be concentrated to a consistent random reconciliation of total amounts received, rather than every item received, which will be instigated from Jan 2011 with changes to the procedure manual. Cashiers will now provide from the AIMS system the total Parking income received for the week as stated in the cash collection sheets, which will be matched weekly A report by the contractors is supplied detailing any machine not communicating, which is now an additional document requiring review on reconciliation. A draft audit report has made a further reduced priority recommendation due to partial implementation of agreed recommendation. Ensure the Car Park Kiosk income is reconciled promptly. Ensure all reconciliations are signed and dated on a regular basis and office procedures detail the exact process that take place for the reconciliation of parking income received via credit card, mobile phones, season tickets and kiosks, including timings.
RP/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 responsibility in October 2009 & Interim Head Of Revenues & Bens.	Management accepted the recommendation and responded with: 'The OAC system is scheduled to be installed by 30 Sept 2010 and then procedures will be reviewed and up-dated.' There is currently an audit of this area when this recommendation will be followed up. The largest debtor is William Verry Ltd for £108,890 that will be written off as the company are now in liquidation. There are 4 debts totalling £182,555 that relate to residential care where a charge has been placed on the property. Update as part of 10/11 debtors review - figures as at 31/10/10 for outstanding debts over a year old are as follows: Domiciliary Care £1,369,070 and Non Domiciliary Care £1,687,568.30. Non Domiciliary Care debts over a year old have increased by £412,231.30 since the previous internal audit review whereby an outstanding debt of £1,275,337 was reported as at 31/01/10. Debt recovery procedures have not yet been updated, awaiting go-live date of Oracle Advanced Collections, currently scheduled for early 2011. Bromley Exchequer Services Team has undertaken some work to analyse the top ten debts outstanding within each department.

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments
	ACS -Care Management	N/A	1	Immediate clarification of procedure following investigation findings. Part 2 matter.	Closed	Asst Dir Care Services	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. Procedures clarified in respect of handling client monies.
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.	Closed	Interim Head of Benefits and Revenues	New procedures have been drawn up by management. 50% cash lost refunded by Liberata.
CYP/S/12/01/2009	FMSIS assessment of Secondary School 2009-10	N/A to FMSIS	2	The school has a lease where the payments have been made from Capital. At the time of the audit, we were given informed that this lease might be different to that encountered in other schools, in that the ownership of the assets transfers to the school thereby indicating that it may not be an operating lease but a finance lease. Subsequent to the audit we understand that the lease has been renegotiated to be classified as operational. The staffing budget has been increased by £187,799 from £5,396,789 to £5,584,588 on HCSS planner and approved by the finance governors in October. At the time of the audit (05/01/10) this had not been changed on the schools financial system. In addition the figure used in the school's original budget for 6th form funding is £2,374,885, which does not reconcile to £2,335,760, the amount in the Authority's records. The budget is being overstated by £39,125. In December 2009 system reports detailed an overall surplus of £197,158 therefore the overall consequence would be to put the budget into deficit of £29,766 from the December 2009 surplus forecasted of £197,158.	Yes	Schools Business Manager	Completed. Payments from 2009/10 onwards have been made from the revenue budget. External auditors and governors are content that the lease meets the terms of an operating lease. This was approved by the Finance Committee on 26 th May 2010. Audit comment: 'The school is responsible for having compliant leases if funded from revenue and should seek clarification on this in any future arrangements'. The budget has been amended and approved by the Finance Committee on 26th January 2010.
ACS/068/01/2009	Emergency Accommodation & Rent Accounts	Nil Assurance	4	Part 2	In progress	Interim Head of Revenues & Benefits/ Exchequer Manager	Management have accepted the findings of this report and recommendations will be implemented. There is currently a management investigation into issues raised in the report. The recommendations of the report will be followed up in Qtr 4. The follow up audit has been completed and identified that three of the four priority 1 recommendations have been partially implemented; completion of the ANITE project, improved arrears monitoring and recovery and application of the correct rent debit are still in progress. The recommendation relating to regular reconciliation between the Housing Rents system and ORACLE had been fully implemented.

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments
CYP/P42/01/2010	FMSIS assessment of Primary School C 2010-11	N/A to FMSIS	1	After the external assessment visit internal audit were made aware that Strictly Educational, the schools payroll provider up until 31st May 2010, had paid staff for the June pay run. The new contractor had correctly paid staff for the month of June too. Salary costs totalling £84,983.68 for June 2010 had been charged in error to the school's accounts from the previous payroll provider. The school are taking steps to recover the overpayment to staff (Strictly Educational had collected £8,152.70) and they are also seeking to recover pension, tax and NI contributions from Strictly Educational. Report recommendation was The school should continue to recover monies from staff and Strictly Education for payments related to the June 2010 pay run.	In progress	Head Teacher and Office/Finance Manager	Management Action Plan Comments - Bromley Legal Team supported our school with instructing Strictly to return the monies paid by staff straight to us. All staff have either paid the full amount back to our school account or have made arrangements with us to repay the money within 6 months. All monies to be repaid by February 2011. Internal Audit will obtain an update in February 2011. Update as of 4/11/10, the school have confirmed that £18,399 remains unpaid however there are arrangements in place to collect this by 31/02/11. Update 3/02/11, £10,701.70 still outstanding.
RD/096/01/2010	IT Disaster Recovery	Limited Assurance	1	It was identified that a specific ICT Disaster Recovery Plan has not been created, though some DR provisions are included within the Business Continuity Plan. A draft DR plan was created, though never adopted due to costing issues and problems securing a DR contractor. Recommendations from Operation Coldplay were that Service area's BCPs should accommodate Disaster Recovery (DR) arrangements for IT and that there is a need to progress corporate DR decisions. Additionally it was found that although Officers responsible for escalating problems up to disaster recovery are listed, the procedures for this to happen are not.	In progress	Contracts and Consultancy Manager & IT Technology Manager	A documented Disaster recovery plan should be created which will include specific actions to be taken, staff responsibilities and contact details, hardware/software requirements and budget provisions. Additionally it should include details of how work is ordered/approved/monitored in a DR scenario. Initial document has been drafted for review. Further review will be undertaken when new ICT Contractor is appointed and taken over the service. A revised implementation date for this Recommendation is 01/06/2011, the review cannot take place until then.
CYP/Inv/2010	Primary School A	N/A	1	Part 2	Closed	Governing Body/HT	Recommendations accepted. Change in governing body has resolved matters raised by previous governors.
CYP/Inv/2010	Primary School B	N/A	1	Part 2	In Progress	Head Teacher	Part 2
CYP/Inv/2010	Childrens Centres	N/A	2	Part 2	In Progress	Asst Dir (Access & Inc.)	Part 2
CYP/014/01/2010	Building Maintenance	Limited Assurance	1	Following correspondence between Internal Audit and the Senior Lawyer, it was confirmed that both the Performance Bond for £2.767m and Parent Company Guarantee to be provided by the contractor in respect of the Langley Park School for Boys - Building Schools for the Future contract (£27.7m), continue to remain outstanding even though the contractors are now on-site and payments made against the contract. The announcement of the withdrawal in government funding for the 'Building Schools for the Future' initiative, clearly impacted in the need for expediency in completing the contract to secure the previously agreed funding of £35m.	Closed	Head of Construction / Senior Solicitor	Management have accepted the recommendation and have confirmed that the Contractor has accepted that it should provide both a Bond and PCG but has been arguing about the wording thereof. The Council's Senior solicitor has addressed their points and is awaiting the executed document back from the holding company and surety. Parent company guarantee and performance bond have been obtained from main contractor for new school build.

APPENDIX 2 SUMMARY OF AUDITS 2010-11

	Year	Overall Opinion	P1	P2	P3
Youth Service Audit	2009/10	substantial assurance		5	
SEN Transport Audit	2009/10	substantial assurance		3	1
Waste management Audit	2009/10	substantial assurance		1	
Major Footway & Carriageway Works and Minor Repairs & Improvements Audit	2009/10	substantial assurance		3	1
Planning Services Audit	2009/10	substantial assurance		1	
Budgetary Control including Capital Schemes Audit	2009/10	substantial assurance		1	3
Domiciliary Care Service Audit	2010/11	substantial assurance		2	2
Home Care Audit	2010/11	substantial assurance		3	
Extra Care Housing - Audit	2010/11	substantial assurance		2	
Housing Grants Audit	2010/11	substantial assurance		1	
Adult Placements Audit	2010/11	substantial assurance		1	
Learning and Development Audit	2010/11	substantial assurance			1
Training (Expenditure) Audit	2010/11	substantial assurance		2	
Local Area Agreements Audit	2010/11	substantial assurance		1	
Blue Badges Audit	2010/11	substantial assurance		4	
Standards and Achievement Audit	2010/11	substantial assurance		4	2
Youth Offending Team Audit	2010/11	substantial assurance		2	
Childrens Centres Audit	2010/11	substantial assurance		1	
Commissioning and Partnerships Audit	2010/11	substantial assurance		2	1
SEN Out-Borough Placements Audit	2010/11	substantial assurance			1
14-19 Provision Audit	2010/11	substantial assurance			
Transportation Planning Audit	2010/11	substantial assurance		1	3
Emergency Planning and Business Continuity Audit	2010/11	substantial assurance		6	1
Licensing Audit	2010/11	substantial assurance		3	
PCN Debt Recovery Audit	2010/11	substantial assurance			2
Adult Education College Audit	2010/11	substantial assurance		2	
Planning & Building Control Audit	2010/11	substantial assurance		4	2
Town Centre Development Audit	2010/11	substantial assurance		3	
Property Management Audit	2010/11	substantial assurance		4	
Planning Audit	2010/11	substantial assurance			1
Cash & Banking-Cashiers Audit	2010/11	substantial assurance		2	
NNDR Audit	2010/11	substantial assurance		4	
Pensions Audit	2010/11	substantial assurance		2	
Treasury Management Audit	2010/11	substantial assurance		1	
Contract Management Audit	2010/11	substantial assurance		3	1
Data Quality Review	2010/11	substantial assurance		3	1
Stroke Grants Audit	2010/11	Satisfactory			
Local Area Agreements pt 2 Audit	2010/11	Satisfactory		3	

APPENDIX 2 SUMMARY OF AUDITS 2010-11

Learning Disabilities Petty Cash investigation	2010/11	not applicable		4	
Investigation of Misuse of Work Time	2010/11	not applicable			1
Childrens Centres Investigation	2010/11	not applicable	2	4	
Libraries & Museums Audit	2010/11	not applicable		3	
Policy & Partnerships Audit	2009/10	limited assurance		6	
Parking Income Audit	2009/10	limited assurance	1	3	1
Cash & Banking-Cashiers Audit	2009/10	limited assurance	1	4	1
Carers Grant Audit	2010/11	limited assurance		5	1
Register of Staff Interests Audit	2010/11	limited assurance		3	1
Single Status Audit	2010/11	limited assurance		5	
Children in Care Audit	2010/11	limited assurance		7	1
Staff On-Street Parking Audit	2010/11	limited assurance		2	1
Out of Hours Security Audit	2010/11	limited assurance	1	4	2
Customer Contact Centre Audit	2010/11	limited assurance		6	2
Building Maintenance Audit	2010/11	limited assurance	1	2	
Council Tax Audit	2010/11	limited assurance		5	
HBens-CTBens-Fraud Audit	2010/11	limited assurance		9	3
Debtors-Income Audit	2010/11	limited assurance		4	
Disaster Recovery Audit	2010/11	limited assurance	1	7	
Health and Safety Audit	2010/11	full assurance			
Grant Aid Audit	2010/11	full assurance			
Corporate Governance Audit	2010/11	full assurance			
Emergency Duty Team Follow-up Audit	2009/10	follow up			
Fostering Follow-up Audit	2009/10	follow up			
Learning Disabilities Follow-Up Audit	2009/10	follow up			
Mayor's Charity Audit	2010/11	Follow Up			
Appointeeship & Deputyship follow-up Audit	2010/11	follow up			
Supporting People Follow-up Audit	2010/11	follow up			
Transition Team Follow-up Audit	2010/11	follow up			
Choice Based Lettings follow-up	2010/11	follow up			
Down Centre Markets Follow-up Audit	2010/11	follow up			
Grounds Maintenance Follow-up Audit	2010/11	follow up			
Commensura follow-up Audit	2010/11	follow up			
Telephony follow-up	2010/11	follow up			
Respite Care Audit	2010/11	follow up			
Field Studies Centre	2010/11	follow up			
Land Charges Audit for 2010-11	2010/11	follow up	7	163	37

APPENDIX 2 SUMMARY OF AUDITS 2010-11

Rent Accounts follow-up	2010/11	follow up			
Fostering and Adoption Audit	2010/11	limited assurance	3		
Payroll-Expenses Audit	2010/11	substantial assurance	5	2	
Capital Budget Control Audit	2010/11	substantial assurance	3		
Creditors Audit	2010/11	substantial assurance	7	1	
Parking Audit	2010/11	substantial assurance	4	1	
Procurement Audit	2010/11	limited assurance	3	1	
Data Security Audit	2010/11	limited assurance	11		
Childrens Centres Investigation	2010/11	not applicable	9	1	
			9	37	5

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.uk or can be obtained from Resources, 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 of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement.

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 2011 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 '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 Bromley. The plan sets the direction and policies which other plans should help to deliver and has been agreed by the Council and our partners in consultation with other stakeholders having an interest in effective public services in the Borough.

The strategy is used as a basis for corporate and service planning. Short term priorities are detailed in 'Building a Better Bromley 2010-12' which highlights the key actions that form a focus for the Council's Executive.

The strategy and individual portfolio plans are published on the Council's website.

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:

- A safer Bromley
- A quality environment
- Vibrant, thriving town centres
- Supporting independence
- Children and young people
- 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.

Following unprecedented cuts to public spending and increased demand for some of our services the priority this year has been on managing our existing resources well and focusing on where they are needed most.

This is supported by strategies that are already in place to provide a 'Fit for Purpose' organisation. Our 'Corporate Operating Principles' which act as an operational model for our organisation are being reviewed to test their relevance in the new financial and political environment. The Organisational Improvement Programme Board, chaired by the Chief Executive, is responsible for the successful delivery of a portfolio of projects to drive through improvements and efficiencies right across the council.

We review our governance arrangements in response to changes in legislation and to reflect good practice.

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:

- Resident perceptions - 'excellent in the eyes of local people'
- Measurable improvements in efficiency and value for money
- Local Building a Better Bromley indicators and national indicators
- 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 'Are we on track?' report highlights specific areas of good performance and identifies areas of concern. The focus is on the Building a Better Bromley priorities and Member objectives.

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. Some of these processes are required by law, while others are a matter for the Council to choose.

The Council's decision making structure is divided between executive and non-executive matters. Executive duties are carried out by an Executive body of six Councillors with specific Portfolio responsibilities, chaired by the Leader of the Council. Non-executive duties are performed by the Development Control Committee and the General Purposes and Licensing Committee.

Six Policy Development and Scrutiny (PDS) Committees discharge the overview and scrutiny functions of the Local Government Act 2000.

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 Executive, and decides Portfolio Holder arrangements and responsibilities and agrees any formal delegation of various powers to the Council's Chief Officers and their staff.

Bromley Council is bound by the government's 'Code of Recommended Practice on Local Authority Publicity' which provides guidance on the content, style, distribution and cost of local authority publicity.

The recommendation from the Communications Working Group's report 'Receiving you loud and clear' that the Council's current media protocols should be reviewed is still being progressed to encompass new media streams.

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.

The Standards Committee has continued to have discussions with leading councillors and officers on ethical governance issues both at Committee meetings and in small groups or one to ones outside the meetings.

Following the May 2010 elections the Standards Committee played an active role in new councillor induction to ensure they were aware of the role the Committee plays in working with them to reinforce positive behaviour at all levels across the Council.

In their annual report the Standards Committee commented that "Over the past 12 months we have monitored the operation of the Council as a whole against a variety of ethical governance indicators, including Audit Commission public interest reports, objections to the Council's accounts on ethical grounds, whistle-blowing issues, employment issues and complaints. We were pleased to note that these showed a relatively small number of issues raised, and no major ethical issues arising from them that required further investigation by the Committee."

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 Resources (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. Changes to executive arrangements required under the Local Government and Public Involvement in Health Act 2007 mean that any executive powers delegated to officers have to be delegated not by the Council, but by the Leader of the Council. The Scheme was updated and presented to the Council's annual meeting in May 2010.

The Finance Director (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. These are reviewed on a regular basis.

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 Chief Internal Auditor, 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 governance requirements needed to support them.

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 Finance Director has the role of Chief Financial Officer.

During the year Bromley's Code of Corporate Governance was updated to incorporate the additional governance requirements resulting from the Statement.

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 (including the Annual Governance Statement).

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 Resources (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 Finance Director (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 Resources 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, all of which related to schools employment matters, and whilst not matters that fell for action under this scheme they were considered and dealt with speedily and 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 (including a guide for people with learning difficulties) 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 Resources 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.

All complaints about Bromley councillors are 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, six formal complaints were received, involving nine councillors. These were filtered by Initial Assessment Sub-Committees of the Standards Committee. In all cases the Initial Assessment Sub-Committee decided to take no further action and all these were held within the 20 day national target timescale.

The one case from last year which was passed on to the First-Tier Tribunal (Local Government Standards, England) for determination, resulted in the councillor being disqualified for a period of 12 months.

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 was 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.

A new managerial and leadership development programme has been agreed to incorporate our existing talent management initiatives. The 'Management Essentials Programme' will provide training for newly appointed, potential and existing managers who wish to improve or further develop their leadership and/or specific skills.

The Council has formed a partnership with Bromley Adult Education College for delivery of IT training.

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

We continue to review how we can improve our channels of communication. Recently we have piloted the use of social media and other on-line communications to support the Communications Strategy. Besides the Council's website we now have pages on Twitter and Facebook with an automatic feed from the website.

A series of Council public meetings was held during November and December 2010 as part of the budget consultation. Residents and businesses were invited to attend so that senior Councillors could talk and listen to the people of Bromley about their priorities for Building a Better Bromley to help inform the

Council as it set the budget for 2011/12. 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.

Under the Local Democracy, Economic Development and Construction Act 2009 Bromley was required to put in place a Petition Scheme by June 2010. Residents can now submit an e-petition online through the website in addition to the normal paper submissions. Once a petition has been validated a response will normally be sent back within 10 working days. All petition responses are published on the Council's website.

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:

While the coalition government places less emphasis than the previous government on formalised local partnership arrangements, collaboration and joint working remains a key part of our agenda.

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.

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 Leader personally controls all decisions about the Council's executive functions. He can then choose whether to make all decisions personally, or to make arrangements for others to do so (for example, the Executive, an individual member of the Executive, or certain senior officers). The Executive contains the Leader and six members each responsible for a portfolio. 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.

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 Council maintains the policy and budgetary framework. 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 inspections, external/internal audit reviews and the monitoring and reporting of departmental key 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.

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.

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 Council's arrangements for audit and probity specifically including:

- Financial regulations
- Fraud prevention
- Internal and external audit (including approval of the Annual Audit Plan)
- Risk management (including approval of the Annual Governance Statement)

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. 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 Chief Financial Officer is performed by the Finance Director (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.

Internal Audit

Internal audit is an independent appraisal function that measures, evaluates and reports upon the effectiveness of the system of internal control, financial and other, 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 assurance 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 control. Each audit is reported to the appropriate level of management together with agreed action plans where appropriate. In addition all significant weaknesses are reported to Audit Sub-Committee and followed-up until recommendations are implemented. The supporting summaries of audit reports help inform the overall assessment of internal 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.

In 2010 CIPFA issued their Statement on the Role of the Head of Internal Audit in Public Service Organisations. Although CIPFA are planning to launch a local government version in May 2011 it applies the same principles and roles set out in that document. The Statement sets out five principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit. We confirm that the Chief Internal Auditor meets these requirements and that we will be updating Bromley's Code of Corporate Governance once new guidance is issued.

External Inspections

In their *2009/10 Report to those charged with governance* published in September 2010, the external auditors PricewaterhouseCoopers reported that:

- We are required to report to you any material weaknesses in the accounting and internal control systems identified during the audit. We are pleased to report that we have not identified any material weaknesses, however, we have identified a number of minor control points and recommendations which we have reported to management.
- In May this year, the government announced its intention to abolish the annual Comprehensive Area Assessment (CAA). Shortly afterwards, we were instructed by the Audit Commission to halt all work on the Use of Resources Assessment. As the work was not completed we cannot report Use of Resources scores. However, we are able to report that the Council showed continued strong performance in the areas where the Council was previously assessed as performing well. In addition improvements were noted in the area of performance management and data security, which were areas identified for development in 2008/09.

A number of areas of good practice were identified, including the impact that the Council's Standards Committee has on the wider governance arrangements and how the Council has implemented a new Employee Budget Management system to enable managers to monitor their staff costs on a real time basis, which has helped to strengthen budgetary control further within the Council.

- We reviewed the 2009/10 Annual Governance Statement (AGS) to consider whether it complied with the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

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

Ofsted - Annual Children's Services Assessment

Rated 3 - Performs Well

Care Quality Commission / Ofsted - Inspection of safeguarding and looked after children services

Grade 3 - Adequate

Robust development and 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

Given the scale of budget cuts and ongoing uncertainties as to future funding the following significant issues are subject to ongoing review:

- Capacity to achieve further budget savings
- Period of significant and continuing change across the Council, and our ability to continue to manage our resources well and minimise the impact on frontline service
- Uncertainty with the Council's major partnerships due to political changes and governance issues arising from shared services

In addition the Localism Bill which is currently going through Parliament contains a number of proposals which will have an impact on how the Council works.

Amongst other things, it promises to abolish the requirement for authorities to have Standards Committees and the national code of conduct. In place of the national Standards Board regime, authorities will have a duty to promote and maintain high standards of conduct by members, and be able to establish their own voluntary codes of conduct. The view in Bromley is that we should still retain some form of lead body on ethical governance issues.

The Bill also introduces:

- new freedoms and flexibilities for local government
- new rights and powers for communities and individuals
- reform to make the planning system more democratic and more effective
- reform to ensure that decisions about housing are taken locally

Any resulting governance issues will need to be addressed.

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

Agenda Item 8

Report No.
CE01173

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker: **Audit Sub Committee**

Date: **7th June 2011**

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

Title: **ANNUAL INTERNAL AUDIT SCHOOLS REPORT**

Contact Officer: Diane Bex, Principal Auditor
Tel: 020 8313 4886 E-mail: diane.bex@bromley.gov.uk

Chief Officer: Doug Patterson, Chief Executive

Ward: N/A

1. Reason for report

This report provides Members with a summary of work carried out by the Authority's Internal Audit Division relating to all Primary, Secondary and Special Schools and Colleges for the period April 2010 to March 2011.

2. **RECOMMENDATION(S)**

The Sub-Committee is asked to:

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

Corporate Policy

1. Policy Status: N/A. Existing Policy
 2. BBB Priority: N/A. 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: £616,250 including benefit fraud partnership costs.
 5. Source of funding: Existing budgets
-

Staff

1. Number of staff (current and additional): The equivalent of 0.8 FTE per annum are involved in school audits
 2. If from existing staff resources, number of staff hours: 160 days allocated to schools
-

Legal

1. Legal Requirement: Statutory requirement. Account and Audit Regulations 2011
 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): all schools
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: N/A

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 2010 to March 2011.
- 3.2 The internal audit plan included external assessments of the Financial Management Standard in Schools (FMSiS) for 31 establishments (28 primary schools and 2 secondary schools and 1 special school).
- 3.3 Michael Gove, Secretary of State for Education announced the decision on 15 November 2010 to end the FMSiS with immediate effect and develop a simpler standard as a replacement.
- 3.4 At that time internal audit had completed 22 of the 31 planned FMSiS external assessments. (19 primary schools, 2 secondary establishments and 1 special school). A decision was made to carry out only internal audit reviews at the remaining 9 primary schools.
- 3.5 All of the 22 establishments met the FMSiS and were awarded a certificate.
- 3.6 The internal audit plan also included a new programme of assisted audits in respect of 15 secondary schools. This programme included some self assessment by staff at schools, some review of information that they had provided to the Schools Finance Team (SFT) at the Authority and some on site testing of transactions.
- 3.7 On 26 May 2010 the Secretary of State for Education announced legislation which allowed the Secretary of State to approve schools to become Academies through a simplified streamlined process. As a result of this, closure audits were carried out at 2 of the 15 secondary schools.

3.8 Primary School A

- 3.9 A priority one recommendation was raised at one primary school where one month's salary payments were made twice due to a change in payroll provider. The school have made progress in recovering the overpayment and the total outstanding as at 28 April 2011 was £3,257.96. Of this amount £1,762 is being taken to the small claims court (relates to 2 individuals) and the school is hoping to collect the balance of £1,495.96 by the end of May 2011.

3.10 Recommendations made in Schools – Appendices

- 3.11 The recommendations of the school's audits are detailed in the appendices A – G as follows:
- Appendix A – The number and type of recommendations for each school following a FMSiS assessment
 - Appendix B – Pie chart of FMSiS recommendations by category
 - Appendix C – Bar chart of FMSiS recommendations by priority
 - Appendix D – The number and type of recommendations for each secondary school following an assisted audit
 - Appendix E – Bar chart of secondary assisted audit recommendations by priority
 - Appendix F – The number and type of recommendations for each school following a primary school audit
 - Appendix G – Bar chart primary audit recommendations by priority

3.12 Follow-up of implementation of recommendations

3.13 We have continued to follow up the implementation of recommendations made in previous school audit reports. Follow up audits are necessary to follow up a completed audit when the school have been assessed to be low or medium risk, where no full audits are planned over the next two/three years. Documentary evidence and explanations from key officers are sought to support the implementation of the recommendations. Using this approach Internal Audit has been able to successfully complete 21 school follow ups from April 2010 to March 2011.

3.14 Sports for Schools Grants

3.15 Two of the Authority's secondary schools receive a grant for the School Sport Partnership. Internal audit have audited the statements for each school. For the period 1 September 2009 - 31 August 2010 The Priory School received £308,239 grant income and Kelsey Park School £294,453.

3.16 In addition to the planned work the following investigations were carried out during 2010-11

3.17 Primary School B – Investigation

3.18 Matters relating to a priority one finding is a part 2 item.

3.19 Primary School C – Investigation

3.20 Matters relating to concerns raised by governors have been resolved and were previously reported as a part 2 item.

3.21 Academies/Closure audits

3.22 During the year 2010/11, the government announced through their Academy Programme backed by the Academy Act 2010, its intention to initially encourage outstanding schools as judged by Ofsted to convert to Academy status. This was later altered to include good schools with outstanding features, all schools linked to an outstanding school, special schools and pupil referral services.

3.23 Members of this committee were provided with report DCYP11052 at the March 2011 meeting titled 'The Government's Academy Programme: Developments within Bromley. This report gave the timetable for schools definitely transferring to Academy status (mostly secondary schools in 2011/12) as well as those likely to transfer in 2011/12 onwards. As a result our schools plan for 2011/12 is likely to include several closure audits.

3.24 Closure audits were carried out for Kemnal Technology College and Darrick Wood Secondary School after conversion to Academy status. The focus of these reviews is to sample test expenditure during the period since the last internal audit review to the date of conversion to ensure there are no matters of impropriety or inappropriate expenditure. Income collection and controls around governance are also reviewed. There is also liaison with the Schools finance team on the closure of accounts and the transfer of the pension fund and other matters relating to the closure are commented on in the final report. Other issues such as the arrangements for dual use, SEN units and completion/content of the Commercial Transfer Agreement will be included in the audit closure programme.

3.25 As indicated above, during 2011-12 it is likely that the majority of Secondary and many Primary schools will obtain Academy status and as such will not be required to be internally audited. Each Academy will need to appoint a responsible officer and internal audit are offering to provide this as a sold service, details have been provided to the schools in the Authority's Sold Services brochure. We are also offering an internal audit service. Some expressions of interest

have been received and one school has confirmed they would like to purchase our services as responsible officer.

3.26 Other matters

- 3.27 A draft version of the replacement for FMSiS i.e. Schools Financial Value Standard (SFVS) has been circulated and the requirement is for a copy of the completed document to be provided to the Local Authority for information. This may be used to inform internal audit prior to any internal audit work although an external assessment of the Standard is not a requirement.
- 3.28 We continue to provide advice to schools specifically on Financial Regulations and have attended finance meetings throughout the year. We have also been involved on an ongoing basis with issues surrounding the classification of school leases.
- 3.29 We work closely with the Schools Finance Team including termly liaison meetings.
- 3.30 External audit has continued to place reliance on the work of Internal Audit of schools for 2010/11.
- 3.31 The anti fraud toolkit that promotes staff and governor fraud awareness is available on the school edunet.

4. POLICY IMPLICATIONS

- 4.1 The Government's reform agenda for education, schools and wider children's services will be underpinned by major statutory changes. This will impact significantly on local policy, strategy and priorities for Bromley's Children and Young People Services agenda; as well as services provided to schools including Internal Audit. There will also be an impact on the internal audit annual plan.

5. FINANCIAL IMPLICATIONS

- 5.1 Some audit findings have financial implications. The abolition of FMSiS has resulted in a loss of £33K from the internal audit budget as this funding has now been withdrawn by CYP.

6. LEGAL IMPLICATIONS

- 6.1 Schools converting to Academy status are no longer subject to the statutory requirements for local government internal audit

7. PERSONNEL IMPLICATIONS

- 7.1 The audit plan for 2011/12 has been greatly reduced for school audits and this may impact in future years on staff levels.

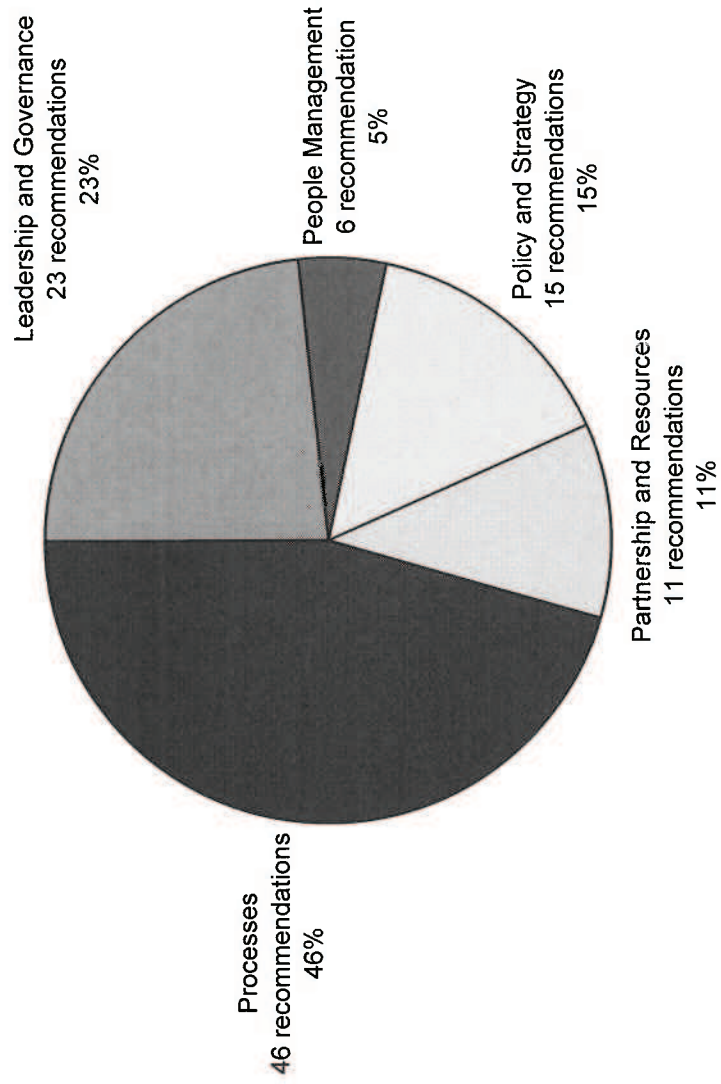
Non-Applicable Sections:	
Background Documents: (Access via Contact Officer)	Audit plan 2010/11

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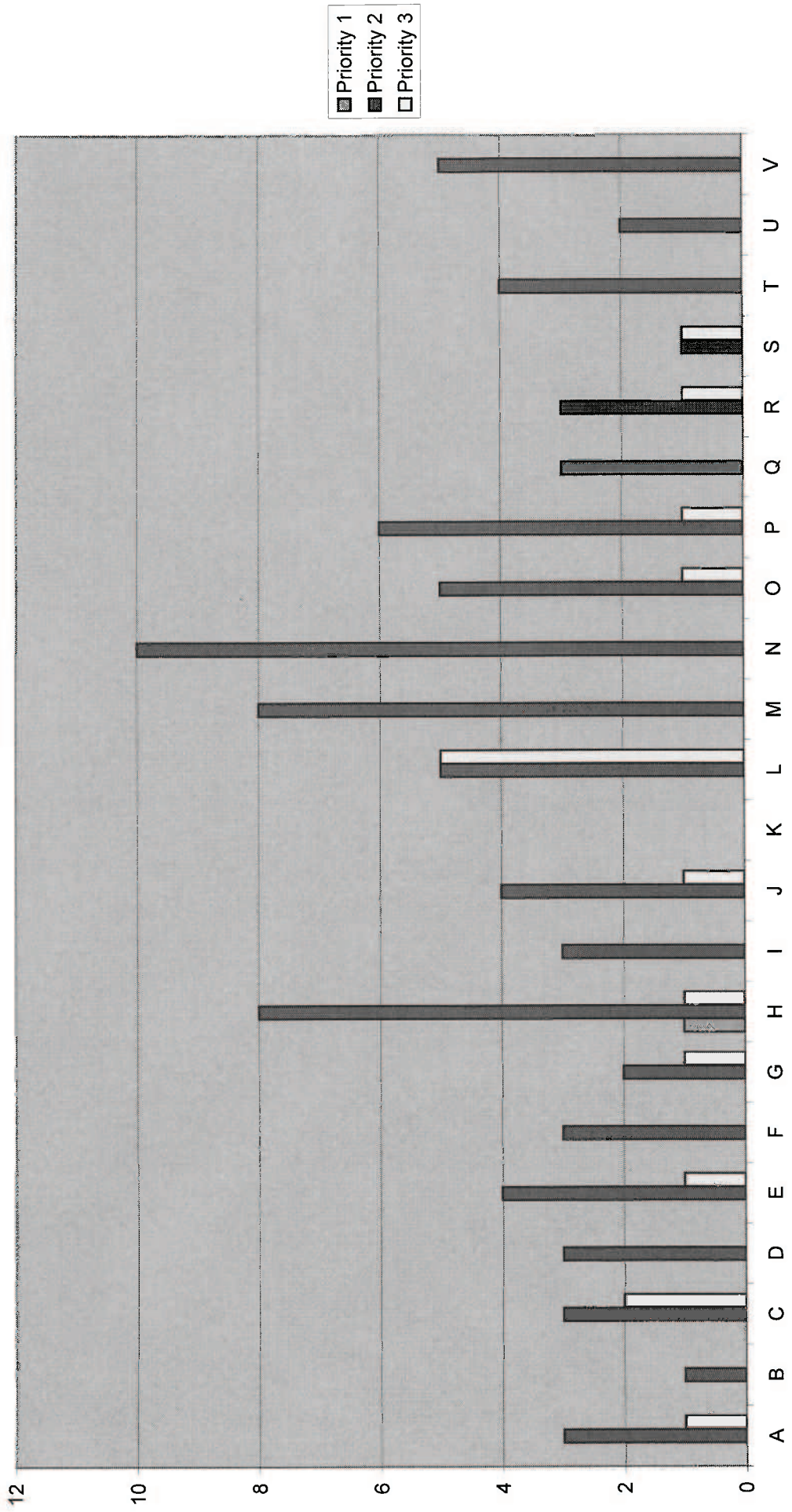
All FMSiS Assessments 2010/11

School	Priority 1	Priority 2	Priority 3	Leadership and Governance	People Management	Policy and Strategy	Partnership and Resources	Processes
A		3	1				✓	✓
B		1		✓				
C		3	2		✓			✓
D		3		✓				✓
E		4	1	✓		✓	✓	✓
F		3						✓
G		2	1	✓			✓	✓
H	1	8	1	✓		✓	✓	✓
I		3		✓				✓
J		4	1					✓
K								
L		5	5	✓		✓		✓
M		8				✓		✓
N		10		✓	✓	✓		✓
O		5	1			✓		✓
P		6	1			✓	✓	✓
Q		3			✓			✓
R		3	1	✓				✓
S		1	1					✓
T		4		✓				✓
U		2		✓				✓
V		5		✓				✓

Schools FMSiS recommendations by category



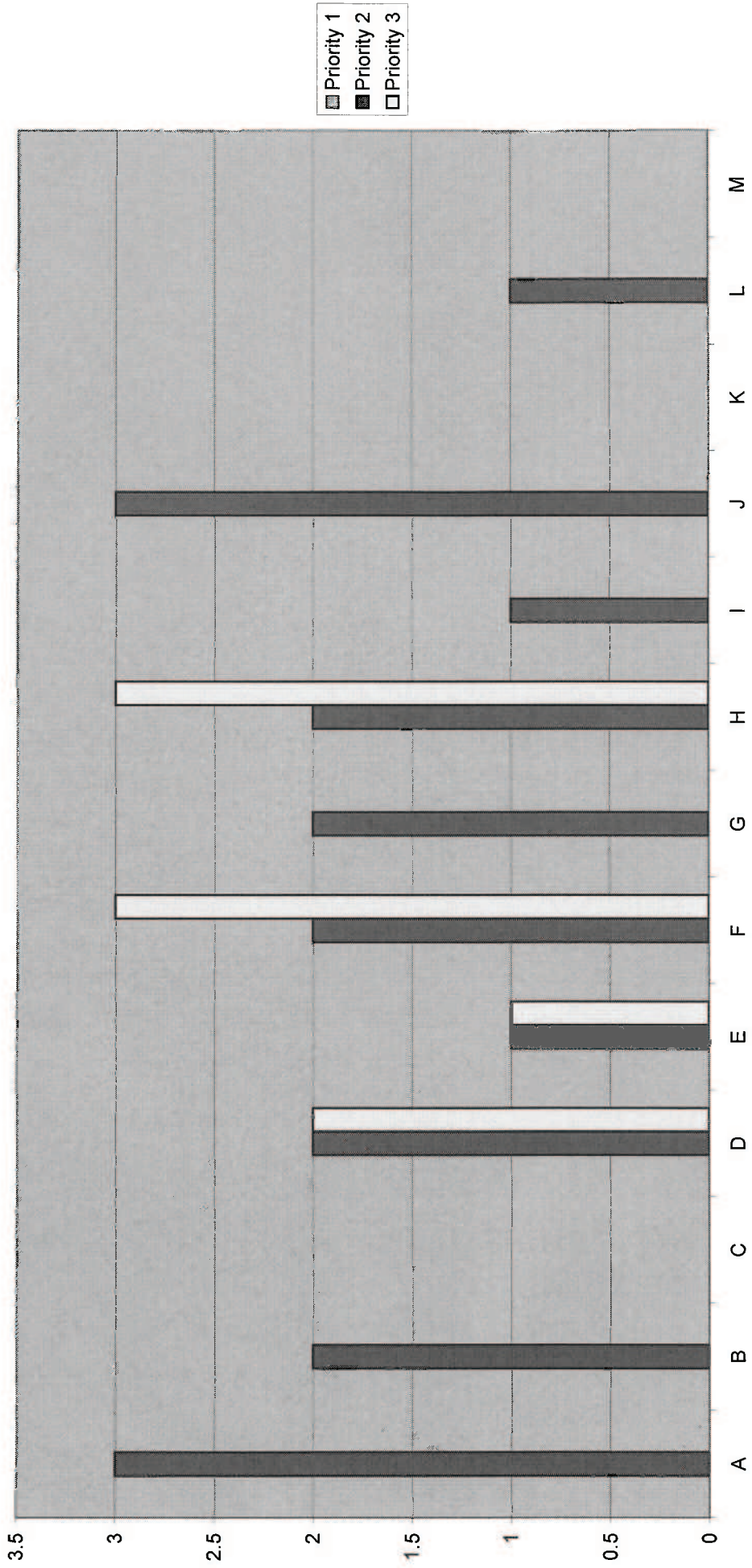
Number of Recommendations by priority for FMSIS Assessments 2010/12



Secondary School Assisted Audits

School	Priority 1	Priority 2	Priority 3	Financial Management Information	Primary accounting documents	Asset Register	Governance Arrangements
A	3				2	1	
B		2			2		
C	0	0	0				
D		2	2		4		
E		1	1		2		
F		2	3		4	1	
G		2			2		
H		2	3		4	1	
I		1			1		
J		3			2		1
K	0	0	0				
L		1			1		
M	0	0	0				

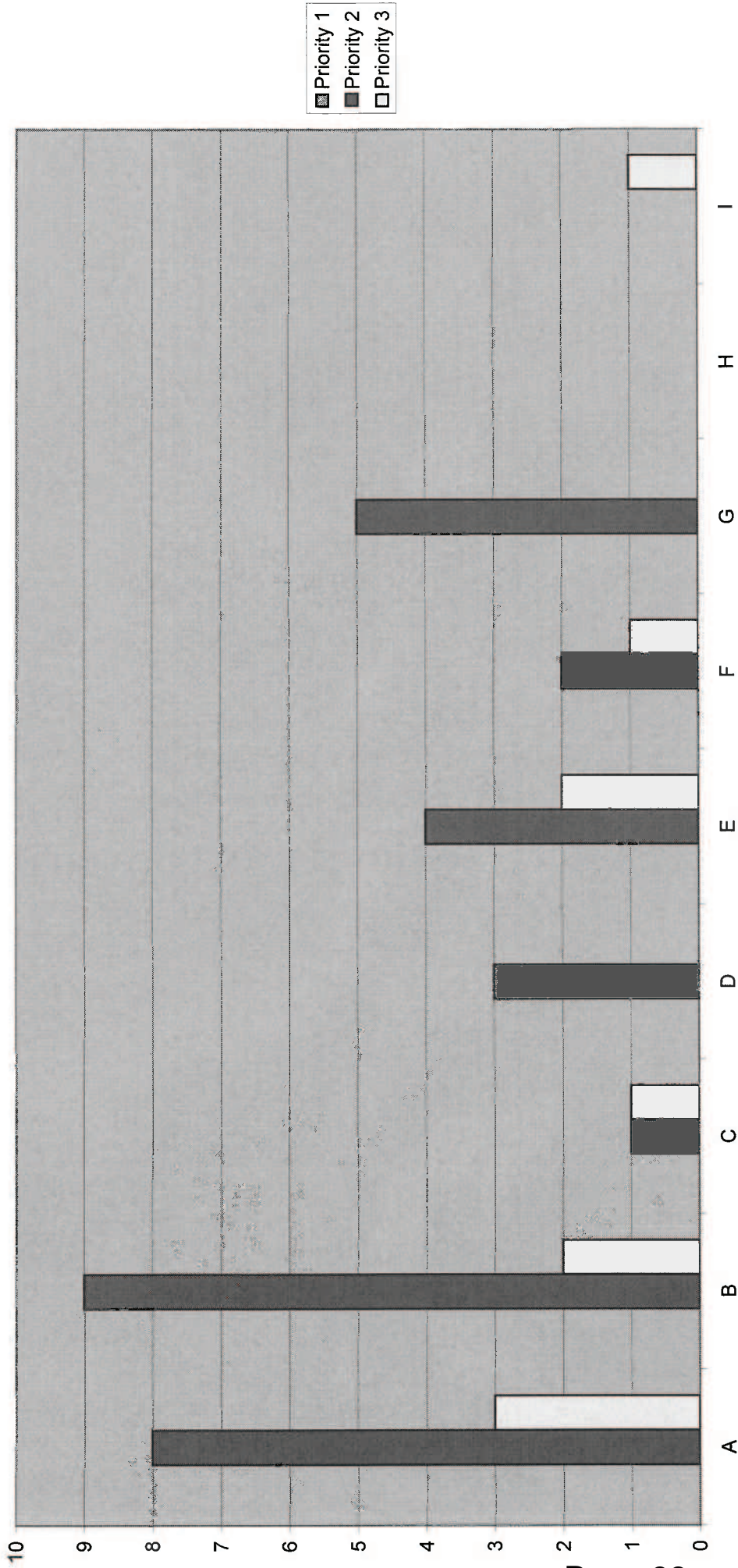
Number of Recommendations by priority for Secondary School Assisted Audits



Primary School Audits

School	Priority 1	Priority 2	Priority 3	Financial Management Information	Primary accounting documents	Asset Register	Governance Arrangements
A		8	3	1	5	1	4
B		9	2	1	6	1	3
C		1	1	1			1
D		3		3			
E		4	2	1	3		2
F		2	1		2		1
G		5		1	2	1	1
H							
I			1		1		

Number of Recommendations by priority for Primary School Audits



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Agenda Item 10

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

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Agenda Item 11

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of the Local Government Act 1972.

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