



BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH

TELEPHONE: 020 8464 3333

CONTACT: Graham Walton  
[graham.walton@bromley.gov.uk](mailto:graham.walton@bromley.gov.uk)

DIRECT LINE: 020 8461 7743871

FAX: 020 8290 0608

DATE: 25 May 2012

To: Members of the  
**AUDIT SUB-COMMITTEE**

Councillor Neil Reddin FCCA (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  
**WEDNESDAY 6 JUNE 2012 AT 7.00 PM**

MARK BOWEN  
Director of Resources

*Copies of the documents referred to below can be obtained from*  
[www.bromley.gov.uk/meetings](http://www.bromley.gov.uk/meetings)

## **A G E N D A**

**1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

**2 DECLARATIONS OF INTEREST**

**3 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING**

In accordance with the Council's Constitution, questions to this Committee must be received in writing 4 working days before the date of the meeting. Therefore please ensure questions are received by the Democratic Services Team by 5pm on Tuesday 29<sup>th</sup> May 2012.

**4 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 8TH MARCH 2012  
EXCLUDING THOSE CONTAINING EXEMPT INFORMATION (Pages 3 - 6)**

**5 MATTERS OUTSTANDING FROM PREVIOUS MEETINGS (Pages 7 - 10)**

**6 FULL BUDGET MONITORING SYSTEM - DEMONSTRATION**

**7 ANNUAL AUDIT REPORT (Pages 11 - 36)**

**8 INTERNAL AUDIT PROGRESS REPORT (Pages 37 - 66)**

**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.

	<b><u>Items of Business</u></b>	<b><u>Schedule 12A Description</u></b>
<b>10</b>	<b>EXEMPT MINUTES OF THE MEETING HELD ON 8TH MARCH 2012</b> (Pages 67 - 70)	Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.
<b>11</b>	<b>ANNUAL INTERNAL AUDIT FRAUD AND INVESTIGATION REPORT</b> (Pages 71 - 82)	Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.
<b>12</b>	<b>INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS REPORT</b> (Pages 83 - 98)	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 7.30pm on 8 March 2012

### **Present:**

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

### **81 MR MARK GIBSON**

Mr Mark Gibson, formerly the Council's Chief Internal Auditor, had now left the Council, and the Chairman requested that the Sub-Committee's thanks for his services to the borough be placed on record.

### **82 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

Apologies for absence were received from Councillor Reg Adams.

### **83 DECLARATIONS OF INTEREST**

Councillor Neil Reddin declared a personal interest as he had a child at Warren Road Primary School and his wife was a governor at Hayes Primary School.

During consideration of the Internal Audit Progress Report Councillor Ruth Bennett declared a personal interest as a governor of Princes Plain Primary School and Councillor Simon Fawthrop declared a personal interest as his daughter attended Newstead Wood School.

### **84 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING**

No questions had been received.

### **85 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 15TH DECEMBER 2011 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION**

**RESOLVED** that the minutes of the meeting held on 15<sup>th</sup> December 2011 (excluding those containing exempt information) be confirmed.

### **86 MATTERS OUTSTANDING FROM THE LAST MEETING** Report RES11043

The Sub-Committee noted the list of matters outstanding from previous meetings – most issues were covered in other reports on the agenda.

## **87           EXTERNAL AUDIT REPORTS**

The Chairman welcomed Katy Elstrup, Engagement Senior Manager, PricewaterhouseCoopers, to the meeting.

### **87.1   EXTERNAL AUDIT: CERTIFICATION REPORT 2010/11**

The Sub-Committee received the 2010/11 Certification Report from PricewaterhouseCoopers (PWC). The report summarised Certification work on the Council's claims and returns, as required by the Audit Commission. Five claims had been certified, with only one qualification needed. This related to a single housing benefit overpayment; further sampling had been carried out but no other problems had been found.

### **87.2   EXTERNAL AUDIT: ANNUAL AUDIT PLAN 2011/12**

The Sub-Committee considered the External Audit Plan for 2011/12. The Plan identified the key audit risks for the Council of fraud, recognition of income and expenditure and property valuation and set out the proposed auditing approach. The report also covered the audit fees; these had reduced by about £30,000 for 2011/12, and were expected to reduce further in future years.

The Chairman confirmed that preventing fraud was a major priority for Councillors. The Audit Sub-Committee provided oversight and support for fraud investigations and preventative work, risk registers were maintained, Financial Regulations were kept under review, there was mandatory training for managers on fraud and contracts procedures, and the Chairman, Vice-Chairman and other Members were briefed regularly. The Raising Concerns whistle-blowing procedure was a crucial means for staff to identify concerns; the Vice-Chairman suggested that more publicity should be given to the potential for whistleblowers to share their information direct to Councillors if they did not wish to use the formal channels.

Areas of particular concern to Members were fraud relating to blue badges, single person discounts and student exemptions, and areas where democratic oversight was limited, such as schools. Within the Council organisation, the risk seemed to be less about fraud than officers making poor decisions and failing to achieve projected savings. Members reminded Ms Elstrup that they had sought a value for money (VFM) element to external audit work, and enquired whether benchmarking against other authorities could be included.

## **88           INTERNAL AUDIT PROGRESS REPORT** Report CEO1192

The Sub-Committee considered a summary of recent internal audit activity across the Council and matters arising from the last meeting. The following matters were considered in particular -

- **Audit Activity and Performance** - The new Internal Audit structure of one Head of Audit, two auditors working on sold services to Greenwich and to Academies and four auditors doing Council work would be in place for 1<sup>st</sup> April. Members took the view that the new Internal Audit arrangements should be allowed to settle in before any further major changes in planned workload were considered. The Head of Audit offered to circulate further details of audit activity to members via email.
- **The Future of Public Audit** - Members were concerned that the proposed new arrangements for appointing external auditors would lead to an additional layer of bureaucracy.
- **Property Charges** - The Head of Audit reported that he had checked the arrangements for deferred payment agreements where a charge was placed against a property, and the system appeared to be sound.

It was noted that the "Auditor of the Year" award would continue.

**RESOLVED that the Internal Audit Progress Report be noted, and in particular the achievements of the counter fraud partnership with the London Borough of Greenwich and the effects of the reorganisation of the Internal Audit Service.**

(During consideration of this report Councillor Ruth Bennett declared a personal interest as a governor of Princes Plain Primary School and Councillor Simon Fawthrop declared a personal interest as his daughter attended Newstead Wood School.)

**89 INTERNAL AUDIT PLAN 2012/13**  
Report CEO1191

The Sub-Committee received the Internal Audit Plan for 2012/13; this involved a significant reduction in planned audit activity proposed for the year. Members questioned whether sufficient resources could be provided if the need arose to carry out emergency investigations - the Chief Executive had given assurances that additional capacity could be bought in if necessary.

**RESOLVED that the Internal Audit Plan for 2012/13 be noted.**

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

**RESOLVED that the Press and public be excluded during consideration of the items of business referred to 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.**

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

**91 EXEMPT MINUTES OF THE MEETING HELD ON 15TH  
DECEMBER 2011**

The exempt minutes of the meeting held on 15<sup>th</sup> December 2011 were confirmed.

**92 INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS  
REPORT**  
Report CE01193

The Sub-Committee considered a report updating them on recent Internal Audit activity on investigations and anti-fraud activity. The report summarised cases of particular interest, covered new areas of investigation and updated Members on the results of the National Fraud Initiative (NFI).

The Meeting ended at 10.16 pm

Chairman

# Agenda Item 5

Report No.  
RES12102

London Borough of Bromley

PART ONE - PUBLIC

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

**Date:**                      **6<sup>th</sup> June 2012**

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

**Title:**                      **MATTERS OUTSTANDING FROM PREVIOUS MEETINGS**

**Contact Officer:**      Graham Walton, Democratic Services Manager  
Tel: 020 8461 7743    E-mail: graham.walton@bromley.gov.uk

**Chief Officer:**              Mark Bowen, Director of Resources

**Ward:**                      N/A

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1.    Reason for report

1.1    To update the Sub-Committee on progress with matters outstanding from previous meetings.

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2.    **RECOMMENDATION(S)**

**To note progress on matters outstanding from previous meetings.**

### Corporate Policy

1. Policy Status: Existing Policy
  2. BBB Priority: Excellent Council
- 

### Financial

1. Cost of proposal: Not Applicable
  2. Ongoing costs: Not Applicable
  3. Budget head/performance centre: Democratic Services
  4. Total current budget for this head: £344,054(2011/12)
  5. Source of funding: revenue budget
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### Staff

1. Number of staff (current and additional): There are 8 members of staff (7.22fte) in the Democratic Services Team.
  2. If from existing staff resources, number of staff hours: Monitoring the Sub-Committee's matters arising takes a few hours between meetings.
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### Legal

1. Legal Requirement: None
  2. Call-in: 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 members of the Sub-Committee.
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not applicable



### 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. Most of these issues are taken up in the Progress Reports on this agenda (parts 1 and 2.) Would Members please note that once an outstanding matter is considered completed by the Sub-Committee it will be removed from future lists.

<b>Non-Applicable Sections:</b>	Policy/Financial/Legal/Personnel
Background Documents: (Access via Contact Officer)	Previous minutes of Audit Sub-Committee

**AUDIT SUB-COMMITTEE –**

**MATTERS OUTSTANDING FROM PREVIOUS MEETINGS**

<b>Issue &amp; Date</b>	<b>Summary</b>	<b>Action Being Taken</b>	<b>By</b>	<b>Estimated Completion</b>
<b>Internal Audit Fraud and Investigation Progress Report: Children and Family Centres</b> Minutes 69/1, 22/9/11, 80/1, 15/12/11 and 92/1, 8/3/12 (Part 2 )	Cllr Wells sought further information on the copyright position of the Council logo.	The position is being considered by Legal Services.	Assistant Director, Legal & Support Services	May 2012
<b>Internal Audit Fraud and Investigation Progress Report: Cumulative Spend</b> Minute 80/1 15/12/11 (Part 2)	The Sub-Committee supported extending the cumulative spend exercise from CYP to other departments, leading to reports to other PDS Committees.	See Progress Report. There will be a demonstration to Members on how cumulative spend works.	Head of Internal Audit	June 2012
<b>Internal Audit Fraud and Investigation Progress Report: Primary School Rental Agreement</b> Minutes 80/1, 15/12/11 and 92/1, 8/3/12 (Part 2)	The Chairman and Cllr Wells to be kept informed of progress.	The situation has now been resolved - see the Fraud and Investigation Report.	Head of Internal Audit	May 2012 - Completed
<b>Internal Audit Fraud and Investigation Progress Report: Purchase cards</b> Minutes 69/1, 22.9.11, 80/1 5/12/11, and 92/1, 8/3/12 (Part 2)	The Sub-Committee requested further information on usage of purchase cards.	Further information has been circulated to Sub-Committee members.	Head of Corporate Procurement	May 2012
<b>Internal Audit progress Report: Internal Audit Activity and Performance</b> Minute 88, 8/3/12	The Sub-Committee requested further details of internal audit activity.	Further information on activity is covered in the annual audit report. It is too early in this financial year to report on activity but going forward Members will be circulated activity details in September 2012.	Head of Internal Audit	September 2012

# Agenda Item 7

Report No.  
CEO 1202

London Borough of Bromley

PART ONE - PUBLIC

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

**Date:**                      **6<sup>th</sup> June 2012**

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

**Title:**                      **ANNUAL AUDIT REPORT**

**Contact Officer:**      Luis Remedios, Head Of Audit  
Tel: 020 8313 4886   E-mail: luis.remedios@bromley.gov.uk

**Chief Officer:**              Doug Patterson

**Ward:**                      All

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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 schools are now included within this report but that there is an annual fraud report elsewhere on this agenda.

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2.    **RECOMMENDATION(S)**

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

### Corporate Policy

1. Policy Status: Existing Policy:
  2. BBB Priority: Excellent Council:
- 

### Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Recurring Cost:
  3. Budget head/performance centre: Internal Audit
  4. Total current budget for this head: £533K including £250K net benefit fraud partnership costs
  5. Source of funding: Not applicable
- 

### Staff

1. Number of staff (current and additional): 7FTE (including 2 FTEs on sold services)
  2. If from existing staff resources, number of staff hours: 190 days per quarter
- 

### Legal

1. Legal Requirement: Statutory Requirement Accounts and Audit Regulations 2011
  2. Call-in: Not Applicable:
- 

### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 160 including Chief Officers, Head Teachers and Governors
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: None

### 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 2011. 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.
- 3.1 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 have carried this out in 2011/12 by;
- **independently reviewing, appraising and providing assurance** on the systems of control throughout the Authority
  - ascertaining the **extent of compliance** with procedures, policies, regulations and legislation
  - facilitating good practice in **managing risks**
  - **working in partnership** with the external auditors and other external providers
  - **identifying fraud** and carrying out investigations
  - **running mandatory training sessions for** officers in financial regulations, contract procedure rules and fraud awareness.
- 3.2. Key aspects of our reviews looked at the controls in place and assess these and the associated risks if these controls are not in place or are not being fully followed. Essentially internal audit has ensured that the controls 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. We have also considered the balance of controls against the cost of implementation and where the controls are regarded as over burdensome this will be acknowledged.
- 3.2 The purpose of the 2011/12 Internal Audit Plan was to:
- § Optimise the use of audit resources available, given that these are significantly limited
  - § Identify the key risks facing the Council in 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
  - § Support 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.
  - § Carry out major investigative work and adopt the lessons learnt by utilising these in other audits particularly in relation to cumulative spend.
- 3.3. Internal Audit has striven 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 overriding theme is the annual audit planning and work programme agreed each year. Although our aim has been to complete the 2011/12 plan, this has been subject to adjustment for unexpected levels of unplanned activity including fraud and investigative work and a shortfall in staffing resources. Internal Audit resources in 2012/13 will be significantly reduced as we now only have 4 FTE's plus an element of the Head of Audit time to service the Bromley plan.

- 3.4. Internal Audit work and outputs have been reviewed by External Audit who are able to conclude that Internal Audit were providing a satisfactory service and were able to place reliance on our work.
- 3.5. Internal Audit have completed the high risk audit reviews scheduled in 2011/12 and received positive feedback from the client departments with an overall average of over 4.2 out of 5 for the audit satisfaction surveys. Overall after allowing for a number of audits that were either postponed or cancelled due to management requests/ organisational change, we have completed 90% of the plan against the annual performance indicator requirement of 90%. This has been achieved despite the partial reduction in staff resources in 2011/12 and the substantial number of days spent on fraud and investigations. We have had no issues with audits being completed within budgeted time.
- 3.6. The performance indicator requires that 95% of the audits should be completed within two months of commencement of fieldwork whereas we have achieved in the region of 83%. There are reasons for this previously reported to this committee – waiting for information, auditee availability, work load of the auditor, findings within the audit. Following the reorganisation of Internal Audit and change in management arrangements we are reviewing aspects such as scoping of the audits, availability of the auditees and portfolio of work allocated to auditors.

3.7. **Audit activity**

Please refer to Appendix 2

**Audit Activity key points in 2011/12**

**Planned audits-** please refer to appendix 2 for audits carried out in 2011/12. This constitutes our main area of activity.

**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 4.2 out 5 in our audit surveys.

**Planning** - A key part of the audit planning process was consultation with senior officers, referral to previous audit reports and use of a risk methodology assessment form.

**Sold Services** – 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 some corporate anti fraud work on a needs basis. In 2011/12 we carried out 15 audits for LB Greenwich that generated £75K income. In 2011-12 we also carried out a number of responsible officer roles at academies that had generated about £7k but with 12 academies now using our services this will increase to about £19k in 2012/13.

**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 updated 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, continue to use electronic working papers, also rolling out self assessment for schools and use the functionality of the integrated database capturing audit and risk issues

**Fraud and Investigations**- we have provided substantial input into investigations into fraud and malpractice totalling 295 days.

Internal audit has provided 1,453 audit days including fraud and sold services (1,301 days for 2010-11 that excludes fraud and sold services) 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 the financial regulations that is elsewhere on this agenda and updated the anti fraud and corruption protocol, attendance at departmental and corporate working groups, representing the Council at external meetings, servicing this committee, and leading and participating in data matching exercises including the National Fraud Initiative.

### **Summary of Audit Days provided to the departments.**

	<b>2010-11</b>	<b>2012-13</b>
<b>Departments</b>	<b>Audit days</b>	<b>Audit days</b>
Corporate Services	458	435
Children and Young People	493	261
Adult and Community services	198	82
Environment	60	133
Recreation and Renewal	92	128
Fraud Work		144
Academies- sold services		32
RB Greenwich –sold services		238
	<b>1,301</b>	<b>1,453</b>

It should be noted that the departmental figures include 151 days spent on three major investigations.

- 3.8. All audits arising from the approved plan have resulted in a formal report to management. Each audit has 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 the following financial year unless there are priority one recommendations which are followed up within six months. In addition, all audit reports include an opinion based on our findings.
- 3.9. 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.
- 3.10. Over 2011/12 we issued 21 priority one recommendations –however 17 were in relation to two major investigations – one reported in the last cycle of this committee and the Executive with the other reported in part 2 of this agenda. Outside of these investigations there were 4 priority one recommendations raised in Student Exemptions (now implemented), Malware Security (now implemented), Pupil Referral Unit (currently being followed up), and Parking-Penalty Charge Notices (that appears elsewhere on this agenda). In addition there are still three P1s that have been brought forward from last year carried forward to this year (recovery of general debts; and rent accounts both of which were put back due the transfer of these sections to Liberata; and out of hours security that will be followed up in early 2012/13). The priority one list is attached to the Progress Report elsewhere on this agenda. All other priority ones brought forward from 2010/11 have been implemented- 1 in direct payments on monitoring, 1 in parking income on reconciliations, 2 at schools- salary overpayments and a lease matter, 1 in IT –disaster recovery, and 2 on the Children Centre investigation. See appendix 1 for a summary of P1 activity.
- 3.11. 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. Full 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 system 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.



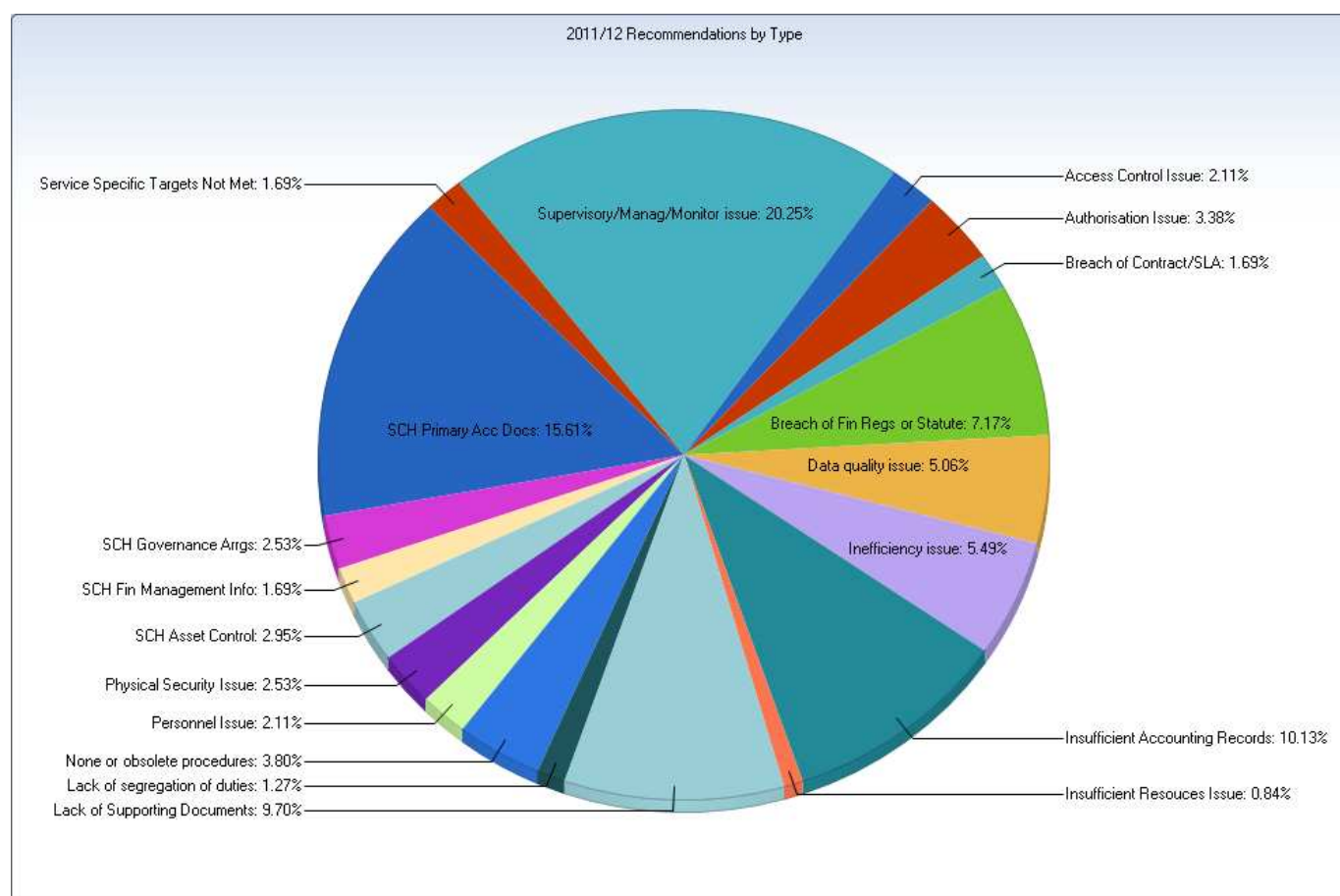
- 3.12. Where Internal Audit have provided no assurance or there has been a significant number of priority one recommendations, based on the review and testing undertaken, a full management response has been presented at the Audit Sub Committee. In addition responsible officers are called to account 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. It has been agreed that responsible officers will be required to attend the meetings where satisfactory action has not been taken.
- 3.13. Over the past year there have been three major investigations all reported to this committee. One of these was substantially completed in 2011/12- Children and Family centres with the other two in this financial year. These investigations have taken a considerable amount of time some 151 days in 2011/12 and have resulted in lessons learnt in relation to officer awareness of financial regulations and the contract procedure rules particularly cumulative spend data. As a result Internal Audit and Procurement have run mandatory training sessions on financial regulations and contract procedure rules with over 200 officers attending these sessions to date.
- 3.14. 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.
- 3.15. The summary of audit work undertaken resulted in 139 reports including 74 schools. Of these 50 were classified with substantial assurance, 14 with limited assurances and 1 nil assurance issued in the year. The remainder were follow up reports, investigation reports, pre academy school closure audits and work in progress audits where we do not give an opinion. Overall 274 improvement recommendations have been made in the year comprising of 21 priority ones, 216 priority twos and 37 priority threes. 85 recommendations are in respect of schools.
- 3.16. **Schools**
- 3.17. For the first time we have included schools activity within the annual report. Previously we submitted a separate annual schools report but with our scaled down activity at schools due to schools converting to academies, staffing reductions and the abolition of FMSiS a separate schools report is not warranted.
- 3.18. The internal audit coverage of Bromley's primary, secondary and special schools during 2011/12 has included a range of reviews including full school audits, follow-up reviews to assess implementation of recommendations previously made and closure audits, where schools have gained Academy status.
- 3.19. The internal audit plan for 2011/12 included internal audit reviews of 22 primary schools, 2 secondary schools and 3 special schools. Follow-up audits were carried out at 24 schools. Closure audits were carried out at 23 schools to ensure that there were no probity issues and that a transfer agreement was in place.
- 3.20. The internal audit programme reviewed controls around processes categorised as Governance Arrangements, Financial Management Information, Primary Accounting Documentation (the tests in this area include, payments, income, payroll and school meals) and Assets. We have used self assessment methodology combined with some audit testing to audit some of the primary schools. This process has proved to be a success and will be rolled forward as it not only saves on audit days but also involves input from the schools.

- 3.21. Internal audit have proactively sold services to Academies and during 2011/12 have been appointed to the role of Responsible Officer at a total of 11 schools (4 secondary and 7 primaries). We have also been asked to carry out a review of the Teacher Pension return at one Secondary school and also to carry out an internal audit at one primary school.
- 3.22. Since the abolition of the Financial Management Standard in Schools (FMSiS) the Department for Education have introduced a School Financial Value Standard (SFVS) and all Bromley schools are required to complete this by March 2013. There is no requirement for external assessment although the return should be used to inform internal audit coverage for 2013/14.
- 3.23. **Classification of recommendations**
- 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.
- 3.24. The classification of recommendations is shown in detail under paragraph 3.31.
- 3.25. **Annual Governance Statement-** See appendix 3
- 3.26. 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 results of 2010/11 demonstrated that the top three headings were lack of supporting documents, supervisory issues, lack of or obsolete procedures and insufficient accounting records. The main issues in 2011/12 have been lack of supporting documents, supervisory issues and insufficient accounting records. 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
- 3.27. 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. 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 that meets approximately every two months.

- 3.28. 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 mitigate the risks. Over the past year there have been investigations that highlighted a number of weakness but specifically in officers' understanding of financial regulations and contract procedure rules. These are being addressed by mandatory training of any officers involved in the finances of this authority. 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.
- 3.29. 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.
- 3.30. The Annual Governance Statement is attached as Appendix 3.

3.31. These control issues led to recommendations that were broadly categorised as follows:



Recommendation Category	% of all recommendations		
	2009-10	2010-11	2011-12
Access Control Issue	1%	1%	2%
Authorisation Issue	3%	4%	3%
Breach of Contract/SLA	1%	4%	2%
Breach of Financial Regulations or Procedures	13%	6%	7%
Data quality issue	4%	5%	5%
Inefficiency issue	4%	5%	5%
<b>Insufficient Accounting Records</b>	11%	12%	10%
Insufficient Resources Issue	1%	2%	1%
Lack of segregation of duties	1%	1%	1%
<b>Lack of Supporting Documents</b>	24%	20%	10%
None or obsolete procedures	13%	14%	4%
Personnel Issue	1%	2%	2%
Physical Security Issue	2%	4%	3%
<b>Supervisory/Monitor issue</b>	21%	19%	20%
Service Specific Targets not met	N/A	1%	2%
SCH Asset Control	N/A	N/A	3%
SCH Fin Management Info	N/A	N/A	2%
SCH Governance Arrangements	N/A	N/A	3%
<b>SCH Primary Acc Docs</b>	N/A	N/A	16%

#### 4. POLICY IMPLICATIONS

None

#### 5. FINANCIAL IMPLICATIONS

Some of the internal audit findings may have financial implications.

#### 6. LEGAL IMPLICATIONS

Internal Audit is a statutory function under the requirements of the Accounts and Audit Regulations 2011.

#### 7. PERSONNEL IMPLICATIONS

None

<b>Non-Applicable Sections:</b>	[List non-applicable sections here]
Background Documents: (Access via Contact Officer)	[Title of document and date]

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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	<b>Direct Payments Audit for 2010-11-b/fwd</b>	Limited Assurance	1	Absence of required monitoring information.	Implemented	Payments Manager.	Direct payments planned audit for 2012/13	High
ENV/004/01/2009	<b>Parking Income 2009-10 b/fwd</b>	Limited Assurance	1	Reconciliations were not being carried out.	Implemented	CCTV Enforcement & Contract Manager	Parking Income planned audit for 2012/13	High
	<b>Primary School C b/fwd</b>	N/A	1	Payroll monthly salary paid twice.	Implemented	Head Teacher	Recovery action completed	High
CYP/Inv/2010	<b>Primary School B b/fwd</b>	N/A	1	Lease issue	Implemented	Head Teacher	Resolved.	High
CYP/Inv/2010	<b>Children &amp; Family Centres</b>	N/A	2	Investigation matter	Implemented	Asst Director	Children and Family Centre audit planned for 2012/13	High
RD/096/01/2010	<b>IT Disaster Recovery b/fwd</b>	Limited Assurance	1	A specific ICT Disaster Recovery Plan has not been created.	Implemented	Contracts and Consultancy Manager & IT Technology Manager	Funding has been agreed and work is taking place to create a plan based on the new arrangements.Executive approval given.	High
RD/005/01/2009	<b>Review of debtors b/fwd</b>	Limited Assurance	1	Inadequate procedures in place to manage and recover aged debt effectively.	In progress	Head of Exchequer Services assumed responsibility in October 2009 & Head Of Revenues & Bens.	Liberata have taken on additional income and debt recovery functions for Bromley that would deliver estimated savings of £46K per annum over the next three years.	High
ACS/068/01/2009	<b>Emergency Accommodation &amp; Rent Accounts b/fwd</b>	Nil Assurance	1	Part 2	In progress	Head of Revenues & Benefits/ Exchequer Manager	One outstanding recommendation on rent arrears will be assessed following transfer of operational control of rent accounts to Liberata.	High
LD/001/01/2010	<b>Out of Hours Site Security b/fwd</b>	Limited Assurance	1	Inadequate control over building access cards.	In Progress	Assistant Director Audit and Technical Facilities & Support Services Manager Head of ICT	This recommendation will now be followed up in Qtr 1 2012/13.	High
CYP/024/01/2011	<b>Pupil Referral Unit 2011-12</b>	Limited Assurance	1	Part 2	In Progress	Head of Access and Admissions	All relevant managers in the Behaviour service, inc Pupil Referral Service, have been formally reminded of this responsibility and issued with relevant extracts from LBB financial regulations. Compliance will be monitored by Head of Access and Admissions Currently being followed up.	High
RD/003/02/2011	<b>Student Exemptions 2011-12</b>	Limited Assurance	1	3/25 Student exemptions in place where the student was no longer at the college stated, inadequate checks on entitlement.	Implemented	Section Manager, Council Tax	Exemptions cancelled.	High
R&R/Inv/2011	<b>CDM 2007 2011-12</b>	N/A	9	Part 2- Investigation matter	In progress	Director R&R	Expanded in Part 2-Referred to E&R PDS and Executive- effectively 8 out of the 9 recommendations have been implemented - the outstanding recommendation relates to sale of the project that is in progress.	High
RD/003/01/2011	<b>Malware Protection Audit for 2011-12</b>	Limited Assurance	1	Evidence requested to verify Anti-Malware controls and monitoring were not supplied during the review.	Implemented	Information Assurance Manager & ICT Technology Manager		High
ENV/004/02/2011	<b>Car Parking, penalty charge notices Audit for 2011-12</b>	Limited Assurance	1	The proportion of PCNs waived for Parking fines increased substantially from 2008-09 to 2010-11from £10,235 to £429,124. It was also noted that there was a corresponding decrease in the proportion of PCNs written off during that time. Given the substantial amount of debt now being waived rather than going through write off procedure, we recommended that it needed a formally agreed procedure.	In progress	Head of Parking	Reported to Environment Portfolio Holder via Environment PDS Committee 17th April 2012. This will be reviewed as part of 2012-13 audit.	High
Env/006/01/2011	<b>Parks&amp; Greenspaces 2011-12</b>	Nil Assurance	8	Part 2- Investigation matter	In progress	Director Env	Expanded in Part 2	High

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## AUDIT ACTIVITY for 2011/12

DEPT	AUDIT NAME	YEAR	OPINION	P1	P2	P3
ACS	Care Link Audit VfM for 2010-11	2011/12	limited assurance	0	9	1
ACS	Care Management - ACS Safeguarding VfM Audit for 2011-12	2011/12	Work in Progress			
ACS	Temporary Accommodation VfM Audit for 2010-11	2011/12	substantial assurance	0	6	0
ACS	Rent Accounts Audit for 2011-12	2011/12	Work in Progress			
ACS	Drug Action Team Audit for 2011-12	2011/12	substantial assurance	0	3	0
ACS	Personal Budgets for 2011-12	2011/12	Work in Progress			
ACS	Supported Living for 2011-12	2011/12	Work in Progress			
ACS	ACS Investigation Follow-up Audit for 2011-12	2011/12	follow-up	0	1	0
ACS	Adult Placements Follow-UP Audit for 2011-12	2011/12	follow-up	0	0	0
ACS	Carers Grant Follow-Up Audit for 2011-12	2011/12	follow-up	0	1	0
ACS	Housing Grants Follow Up Audit for 2011-12	2011/12	follow-up	0	0	0
ACS	Rent Accounts follow-up for 2010-11	2011/12	follow-up	0	0	0
CX	Agency Staff Audit for 2011-12	2011/12	limited assurance	0	3	0
CX	Election Expenses Audit for 2011-12	2011/12	limited assurance	0	6	2
CX	Money Laundering Policy - Audit for 2011-12	2011/12	limited assurance	0	6	0
CX	Sickness Procedures Audit for 2011-12	2011/12	limited assurance	0	6	3
CX	Communications Audit for 2011-12	2011/12	substantial assurance	0	2	0
CX	Information Requests Audit for 2011-12	2011/12	substantial assurance	0	2	2
CX	Agency Staff follow-up for 2011-12	2011/12	follow-up	0	0	0
CX	Learning & Development Follow-up Audit for 2011-12	2011/12	follow-up	0	1	0
CYP	Fostering and Adoption VfM Audit for 2010-11	2011/12	limited assurance	0	9	0
CYP	Pupil Referral Unit Audit for 2011-12	2011/12	limited assurance	1	4	0
CYP	Children's Placements VfM Audit for 2011-12	2011/12	substantial assurance	0	2	0
CYP	Grant Aid Audit for 2011-12	2011/12	substantial assurance	0	1	0
CYP	Children in Care Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
CYP	Fostering & Adoption Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
CYP	Standards & Achievement Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
CYP	Youth Offending Team Follow-up Audit for 2011-12	2011/12	follow-up	0	0	0
CYP	Safeguarding CYP Audit for 2011-12	2011/12	Work in Progress			
CYP	Youth Support Programme Audit for 2011/12	2011/12	Work in Progress			
ENV	Car Parking, penalty charge notices Audit for 2011-12	2011/12	limited assurance	1	2	0
ENV	Parks and Greenspace Audit for 2011-12	2011/12	no assurance	8	2	0
ENV	Waste management Audit for 2010-11	2011/12	substantial assurance	0	0	1
ENV	Environmental Sustainability Audit for 2011-12	2011/12	substantial assurance	0	6	0
ENV	Street Services Audit for 2010-11	2011/12	substantial assurance	0	4	1
ENV	Parking Income for 2011-12	2011/12	Work in Progress			
ENV	Emergency Planning Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
ENV	Licensing Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
ENV	Street Services Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
ENV	Transport Planning Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
R&R	CDM Investigation 2011-12	2011/12	not applicable	9	1	0
R&R	Land Charges Audit for 2011-12	2011/12	substantial assurance	0	1	0
R&R	Adult Education College Audit for 2011-12	2011/12	substantial assurance	0	2	0
R&R	Property Management Audit for 2011-12	2011/12	substantial assurance	0	4	0
R&R	Building Control Follow -Up Audit for 2011-12	2011/12	follow-up	0	0	0
R&R	Town Centre Management Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
RD	Data Management Audit for 2011-12	2011/12	limited assurance	0	4	0
RD	Debtors-Income Audit for 2011-12	2011/12	limited assurance	0	5	2
RD	Malware Protection Audit for 2011-12	2011/12	limited assurance	1	3	1
RD	Student Exemptions for 2011-12	2011/12	not applicable	1	6	0
RD	Capital Budget Control Audit for 2011-12	2011/12	substantial assurance	0	1	0
RD	Cash & Banking-Cashiers - Audit for 2011-12	2011/12	substantial assurance	0	3	0
RD	Council Tax Audit for 2011-12	2011/12	substantial assurance	0	3	1
RD	Legal Costs Audit for 2011-12	2011/12	substantial assurance	0	5	0
RD	Main A-C System Audit for 2010-11	2011/12	substantial assurance	0	5	0
RD	NNDR Audit for 2011-12	2011/12	substantial assurance	0	2	0
RD	Payroll-Expenses Audit for 2011-12	2011/12	substantial assurance	0	5	0
RD	Pensions Audit for 2011-12	2011/12	substantial assurance	0	2	1
RD	Procurement [Purchasing Cards] - Audit for 2011-12	2011/12	substantial assurance	0	6	0
RD	Treasury Management Audit for 2011-12	2011/12	substantial assurance	0	1	0
RD	VAT Audit for 2011-12	2011/12	substantial assurance	0	1	0

## AUDIT ACTIVITY for 2011/12

DEPT	AUDIT NAME	YEAR	OPINION	P1	P2	P3
RD	Creditors-Cheque Control Audit for 2011-12	2011/12	limited assurance	0	4	0
RD	HBens-CTBens-Fraud Audit for 2011-12	2011/12	limited assurance	0	5	2
RD	Customer Contact Centre Audit for 2011-12	2011/12	substantial assurance	0	4	1
RD	Main Accounting System for 2011-12	2011/12	Work in Progress			
RD	Data Quality follow-up Audit for 2011-12	2011/12	follow-up	0	1	0
RD	Oneway Programme - Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Balgowan Primary School Pre-Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Beaverwood School for Girls Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Biggin Hill Primary School Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Bishop Justus CE School Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Bullers Wood School Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Cator Park School Pre-Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Charles Darwin School Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Coopers Technology College Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Darrick Wood Infant School Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Green Street Green Primary Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Hayes Primary Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Hayes School Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Kelsey Park Sports College Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Langley Park School for Boys Pre Academy Audit Audit for 2011-	2011/12	not applicable	0	0	0
SCH	Langley Park School for Girls Pre-Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Newstead Wood School for Girls Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Pickhurst Infant School Pre-Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Pickhurst Junior School Pre-Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Ravens Wood School Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Stewart Fleming Primary Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	The Ravensbourne School Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Valley Primary School Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	Warren Road Primary School Pre Academy Audit for 2011-12	2011/12	not applicable	0	0	0
SCH	The Priory School Audit for 2011-12	2011/12	substantial assurance	0	3	0
SCH	Alexandra Junior School Audit for 2011-12	2011/12	substantial assurance	0	9	0
SCH	Bickley Primary School Audit for 2011-12	2011/12	substantial assurance	0	3	1
SCH	Blenheim Primary School Audit for 2011-12	2011/12	substantial assurance	0	7	1
SCH	Burwood School Audit for 2011-12	2011/12	substantial assurance	0	3	0
SCH	Castlecombe Primary School Audit for 2011-12	2011/12	substantial assurance	0	2	1
SCH	Churchfields Primary Audit for 2010-11	2011/12	substantial assurance	0	9	2
SCH	Crofton Infant School Audit for 2010-11	2011/12	substantial assurance	0	1	1
SCH	Darrick Wood School Audit (pre Academy Status) 2010-11	2011/12	substantial assurance	0	0	0
SCH	Edgebury Primary School Audit for 2011-12	2011/12	substantial assurance	0	2	1
SCH	Hawes Down Junior School Audit for 2011-12	2011/12	substantial assurance	0	0	1
SCH	Highfield Junior Audit for 2011-12	2011/12	substantial assurance	0	1	0
SCH	Holy Innocents Audit for 2011-12	2011/12	substantial assurance	0	1	3
SCH	Keston CE Primary Audit for 2011-12	2011/12	substantial assurance	0	1	0
SCH	Leesons Primary Audit for 2011-12	2011/12	substantial assurance	0	2	0
SCH	Malcolm Primary School Audit for 2011-12	2011/12	substantial assurance	0	2	0
SCH	Poverest Primary School Audit for 2011-12	2011/12	substantial assurance	0	1	0
SCH	Raglan Primary Audit for 2011-12	2011/12	substantial assurance	0	0	1
SCH	Riverside School Audit for 2011-12	2011/12	substantial assurance	0	1	0
SCH	Scotts Park Primary Audit for 2011-12	2011/12	substantial assurance	0	0	1
SCH	St Anthony's RC Primary Audit for 2011-12	2011/12	substantial assurance	0	0	1
SCH	St George's, Bickley, CE Primary Audit for 2011-12	2011/12	substantial assurance	0	0	1
SCH	St John's CE Primary School Audit for 2011-12	2011/12	substantial assurance	0	1	1
SCH	St Paul's Cray CE Primary Audit for 2011-12	2011/12	substantial assurance	0	4	2
SCH	St Vincent's Catholic Primary Audit for 2011-12	2011/12	substantial assurance	0	2	1
SCH	The Glebe School Audit for 2011-12	2011/12	substantial assurance	0	5	0
SCH	St Olave's and St Saviour's Audit for 2011-12	2011/12	limited assurance	0	6	0
SCH	Balgowan Primary School Follow -Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Burnt Ash Primary School Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Churchfields Primary Follow- Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Crofton Infant School Follow -Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Darrick Wood Junior School Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0

## AUDIT ACTIVITY for 2011/12

DEPT	AUDIT NAME	YEAR	OPINION	P1	P2	P3
SCH	Gray's Farm Primary Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Hillside Primary School Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Marian Vian Primary Follow- Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Marjorie McClure School Follow- Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Midfield Primary School Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Mottingham Primary School Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Oak Lodge Primary School Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Parish CE Primary Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Perry Hall Primary School Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Princes Plain Primary Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Red Hill Primary School Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Royston Primary School Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Southborough Primary School Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	St Mark's CE Primary Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	St Mary's Catholic Primary Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Tubbenden Primary Follow- Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Valley Primary School Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Warren Road Primary School Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
SCH	Wickham Common Primary School Follow-Up Audit for 2011-12	2011/12	follow-up	0	0	0
<b>139 Reviews</b>			<b>Total Recs made</b>	<b>21</b>	<b>216</b>	<b>37</b>

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# ANNUAL GOVERNANCE STATEMENT

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## 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](http://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 2012 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 include:

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

Building a Better Bromley and being seen as excellent in the eyes of local people remains our vision.

Building a Better Bromley provides the framework for improving the economic, social and environmental well-being and health of people who live and work in Bromley. It sets the direction and policies which other plans should help to deliver and is shared across the Council in our specific Portfolio messages and Divisional plans.

Underpinning this vision are our eight Foundation Strategies covering Asset Management; Communications; Customer Service; Finance; Human Resources; ICT; Performance Management; and Procurement. These strategies work together to deliver our vision and govern what we do. They ensure we have a clear understanding of our aims in these key areas of our business and how we will achieve these aims.

Short term priorities are detailed in the Building a Better Bromley A3 sheet which highlights the key actions that form a focus for the Council's Executive.

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

Bromley faces a number of challenges over the next four to five years:

- Legislative changes from central Government regarding schools
- Responsibility for public health
- Closer working between health and social care
- Our financial position
- Developing our town centres
- Outcome of local government resource review

In response to these issues we have made a number of organisational changes including the setting up of our new Education and Care Services Department. We are currently revisiting our Building a Better Bromley vision with a view to publishing the most relevant and up to date corporate information on our website.

**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 resources:**

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

Our Corporate Operating Principles which act as an operational model for our organisation define us as a value for money, high performance and customer focused council. 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.

**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 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 main decision making body is the Executive which has seven members and is chaired by the Leader of the Council. It either makes decisions itself or six of its members with specific Portfolio Holder responsibilities decide on matters relating to their own specialist areas. 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.

By law the Executive cannot take all Council decisions with some matters decided elsewhere, principally by the Development Control Committee and the General Purposes and Licensing Committee and their Sub-Committees, or by the Council's Chief Officers under delegated powers. Six Policy Development and Scrutiny (PDS) Committees discharge the Council's overview and scrutiny functions under the Local Government Act 2000.

The Constitution Improvement Working Group has been reconvened to make recommendations on potential changes to the Council's structures and processes arising from the Localism Act 2011.

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. Local authorities are required by legislation to consider the Code in coming to any decision on publicity, which is defined as any communication, in whatever form, addressed to the public or a section of the public.

**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.

Although the Localism Act removed or changed a number of existing arrangements relating to the standards regime (such as the national Code of Conduct, the requirement to have a Standards Committee, the role of Standards Committee independent members on it, and the current system of sanctions) the Act still required authorities to promote and maintain high standards of conduct.

Councils are now required to adopt a local Code of Conduct and the Standards Committee has passed on its views on this and other matters to the Constitution Improvement Working Group in order that they can make recommendations to full Council.

**6) Reviewing and updating the Constitution, including the Rules of Procedure, 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 (as Monitoring Officer) reviews and updates the constitutional framework including Rules of Procedure and Standing Orders (which regulate meetings of the Council) and the Scheme of Delegation (which sets out formal delegation of various powers to the Council's Chief Officers and staff) on a regular basis reporting to full Council.

The Finance Director (as 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.

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 Insurance and Risk Manager, 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 Finance Officer.

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

The Audit Sub-Committee is responsible for developing and reviewing all aspects of the Council's arrangements for audit. Revised Terms of Reference were agreed for the Committee by full Council on 20 February 2012 and include:

- Monitor internal audit's strategy plan, plan and performance
- Review summary internal audit reports and the main issues arising, and seek assurances 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 corruption arrangements
- Be satisfied the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it

As part of their local programme of audit work the external auditors PricewaterhouseCoopers LLP recommended that the Council should carry out an effectiveness review of the Audit Sub-Committee as the last one was completed in 2009.

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

The Director of Resources (as 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 (as 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 the Corporate Management Team, 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. The Monitoring Officer has overall responsibility for maintenance and operation of the code and this is widely publicised via posters, the intranet and on the Council's website. The Anti-Fraud and Corruption Strategy has been updated to incorporate the changes brought about by the Bribery Act 2010.

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 children's social care, 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 the Director of Resources monitor how complaints are handled within departments.

The Localism Act will change the way we deal with complaints about Bromley councillors in the future. Model investigation/complaints processes are being developed by national and professional bodies and we will review these before drawing up our own procedures.

**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. Specific training for Members targets key policy issues and areas of current interest. This is supported by a dedicated Member Development site on the intranet.

The Managerial and Leadership Development Framework sets out the key skills and knowledge that all Bromley managers are expected to have, whether newly appointed, experienced or operating at a strategic level. Officer training needs are identified as part of the annual Performance and Appraisal Development Scheme. 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.

IT training is delivered in partnership with Bromley Adult Education College.

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

Through our communications we want to keep people informed, listen and respond to their concerns and reflect their priorities in our own. Our aim is to align our messages to our target audience and use the most appropriate channel to promote those messages.

The Council held four public meetings in November 2011 attended by over 600 people as part of the 2012/13 budget consultation. 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.

Other consultations this year included the future of children and family centres in Bromley, the future use of youth centres in Bromley and short break services for carers of disabled children.

The Council operates a Petition Scheme whereby any person who lives works or studies in the borough of Bromley can submit either a paper or e-petition. 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:**

Bromley works in partnership with many local organisations representing the views of residents and the public, private and voluntary sectors.

The Local Strategic Partnership Executive has been replaced by the Borough Officers' group which meets on an informal basis to monitor and direct the work of the main thematic partnerships. The group is chaired by the Chief Executive and includes representatives from the emergency and health services and the voluntary sector.

The thematic partnerships (Bromley Children and Young People; Health, Social Care and Housing, Safer Bromley and the Bromley Economic Partnership) hold open meetings and agenda papers and minutes are published on the Council website and/or the Bromley Partnership website. These are subject to scrutiny by the relevant PDS Committees.

**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 Corporate Management Team comprising directors and assistant directors 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 work of the Standards Committee 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 of the governance framework, including the system of internal control, includes the following elements:

#### Council Framework

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.

The Executive contains the Leader and six Members each responsible for a portfolio. Each Portfolio Holder annually outlines, in a portfolio plan, their aims and what they will be doing towards achieving their goals and their performance targets.

The full Council is responsible for adopting the authority's constitution and Members' code of conduct and for approving the budget and policy framework within which the Executive operates.

Chief Officers are responsible for ensuring that Members are advised of the financial implications of all proposals liaising as necessary with the Finance Director. In addition they are responsible for promoting sound financial practices in relation to the standards, performance and development of staff in their departments.

#### Policy Development and Scrutiny Committees

Six Policy Development and Scrutiny (PDS) Committees 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 Portfolio Holders, the Executive and full Council on policies, budget and service delivery.

PDS Committees monitor the performance of services and functions within their remit assessing performance against key performance indicators and policy objectives. They are also involved in the budget setting process and provide comment and recommendations for the Executive to take account of when formulating the Council's annual budget. Similarly, PDS Committees monitor in-year spend of budgets and raise concerns where there is a possibility of overspend or other issues affecting spending priorities.

PDS Committees also monitor the decisions of the Executive and individual Portfolio Holders. 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 Committees are supported by the statutory Scrutiny Officer who also provides support and guidance to other Members on the functions of overview and scrutiny.

#### Internal Audit

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.

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. 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 Head of Internal Audit 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 his Annual Report to Audit Sub-Committee the Head of Internal Audit confirmed that '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 mitigate the risks. Over the past year there have been investigations that highlighted a number of weaknesses but specifically in officers' understanding of financial regulations and contract procedure rules. These are being addressed by mandatory training of any officers involved in the finances of this authority. 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.'

In 2010 CIPFA issued their Statement on the Role of the Head of Internal Audit in Public Service Organisations. 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 Head of Internal Audit meets these requirements.

### External Inspections

In their *Report to those charged with governance* 2010/11 published in September 2011, the external auditors PricewaterhouseCoopers LLP reported that:

- It is the responsibility of the authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the financial statements and our review of the annual governance statement.

We report internal control issues separately to the Finance Director and action plans have been agreed with officers. Our Internal Control Report, issued in September 2011, has been approved and officers are working actively to address the recommendations raised.

No significant issues were identified which require the attention of the General Purposes and Licensing Committee.

- We reviewed the 2010/11 Annual Governance Statement 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

#### **Ofsted – Bromley Fostering Service**

Rated Good

#### **HMI Probation – Report on Youth Offending work**

Overall, we consider this a very creditable set of findings

### **Care Quality Commission - Review of compliance Adult Placement Scheme**

Adult Placement Scheme was meeting all the essential standards of quality and safety

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**

Last year we identified several significant issues due to budget reductions and the ongoing uncertainties as to future funding streams. The Council has to save more than £30m over the next 3 years and our capacity to continue to make budget savings and maintain frontline services will be tested to the full. We continue to review and scrutinise our services to increase efficiencies and identify potential savings and retain four year forward planning, despite the uncertainties on future funding. Any impact on governance issues will be addresses as part of this process.

The Constitution Improvement Working Group has been reconvened to make recommendations on potential changes to the Council's structures and processes arising from the Localism Act 2011. The key issues that affect standards, including the requirement to adopt a local Code of Conduct will be reported to full Council in the first half of the year.

As identified by Internal Audit a rolling programme of mandatory training for any officers involved in the finances of this authority on financial regulations and contract procedure rules is already in place.

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.....

Chief Executive

Date.....

Signed.....

Leader of the Council

Date.....

Report No.  
CEO 1201

London Borough of Bromley

## PART ONE - PUBLIC

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

**Date:**                      **6<sup>th</sup> June 2012**

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

**Title:**                      **INTERNAL AUDIT PROGRESS REPORT**

**Contact Officer:**      Luis Remedios Head of Audit  
Tel: 020 8313 4886   E-mail: luis.remedios@bromley.gov.uk

**Chief Officer:**              Doug Patterson Chief Executive

**Ward:**                      All

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### 1. Reason for report

This report informs Members of recent audit activity across the Council and provides updates on matters arising from the last Audit Sub Committee. It covers:-

- 3.1      Priority One Recommendations
- 3.4      Audit Activity
- 3.6      Audit Restructure
- 3.9      Auditor of the year nominations
- 3.12     Housing Benefit Update
- 3.16     Financial Regulations
- 3.23     Future of Public Audit
- 3.26     Partnership Working
- 3.29     Value for Money (VfM)
- 3.34     Other Matters
- 3.37     Risk Management

### **RECOMMENDATION(S)**

- **Note the report and comment upon matters arising from the internal audit progress report.**
- **Make a decision on the nominations for auditor of the year.**
- **Approve the changes in the Financial Regulations.**
- **Note the continuing achievements of the counter fraud benefit partnership with Royal Borough of Greenwich.**

### Corporate Policy

1. Policy Status: Existing Policy
  2. BBB Priority: Excellent Council
- 

### Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Recurring Cost:
  3. Budget head/performance centre: Internal Audit
  4. Total current budget for this head: £533K including £250K net for benefit fraud partnership
  5. Source of funding: Not applicable
- 

### Staff

1. Number of staff (current and additional): 7FTE (including 2 FTEs on sold services)
  2. If from existing staff resources, number of staff hours: 190 days per quarter
- 

### Legal

1. Legal Requirement: Statutory Requirement Accounts and Audit Regulations 2011
  2. Call-in: Not Applicable
- 

### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 160 including Chief Officers, Head Teachers and Governors
- 

### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: None

### **3. COMMENTARY**

#### **3.1. Priority One Recommendations**

- 3.2. 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 with two being removed from the listing – Primary School B (expanded upon in Part 2) and IT Disaster Recovery . Appendix A currently shows the original priority one recommendation made with an update where applicable. There have been two additions to the listing. Environmental Services –Parks and Greenspaces that is expanded upon in Part 2 and a priority one recommendation in respect of Penalty Charge Notices (PCNs) expanded below.
- 3.3. The priority one on PCNs initiated from a Freedom of Information request on write offs for these debts. There was a referral from the Head of Finance about the increase in the level of debts waived by Parking. Audit ascertained that the level debt waived had increased from £10K in 2008/09 to £429K in 2010/11 and that there was a corresponding decrease in write offs in the same period. In terms of PCN debt a waiver means that the Penalty Charge Notice was issued correctly but the Council is using its discretion to waive the charge; a write off means that the Penalty Charge Notice was also issued correctly but the Council is now unable to collect the debt and has no other alternative but to write off the outstanding debt. Given the substantial amount of debt being waived we recommended that a formalised procedure be approved by Environment Services PDS and this has been actioned.

#### **3.4. Audit Activity**

- 3.5. We have spent most of our time since the last progress report in March 2012 completing the 2011/12 Internal Audit plan. The progress against this plan is included in the Annual Audit report. Due to time spent on investigations and days lost through the reorganisation and reduction in resources in 2011/12 we had commissioned Deloitte through our framework agreement with Croydon, to complete a few audits from the 2011/12 plan. We also carried out the following work:
- Audits for RB Greenwich as part of our sold services agreement
  - Responsible officer role work carried out for academies on a termly/quarterly basis
  - Mandatory training of officers in respect of the Financial Regulations and Contract Procedure Rules
  - Fraud and investigation work reported in part 2.
  - Work has commenced on the 2012/13 plan but it is too early to report on progress

#### **3.6. Audit restructure**

- 3.7. In the last report to this committee we had stated that the restructure to downsize Internal Audit from 10.7 full time equivalents FTE's to 7 FTE's was in progress. The effect of this would leave an audit section made up of a Head of Audit, 4 FTE's to carry out Bromley audits and investigations and 2 FTE's working on providing sold services to RB Greenwich and 12 academies.
- 3.8. We can now report that the restructure was completed in mid April 2012 with effectively 4 auditors leaving Internal Audit. This leaves a structure of just under 7FTE's. The structure allows for 4FTE's plus an element of the Head of Audit time to complete the approved 2012/13 audit plan totalling 775 days (including 100 days for fraud and investigation work). The two FTE's will need to provide at least 330 days input on sold services for RB Greenwich and

academies that will raise some £100k in income for this financial year. However, attention is drawn to potential developments on the RB Greenwich work detailed in Partnership working below.

### **3.9. Auditor of the Year**

This award was first introduced last year. Members of this committee asked audit management to nominate auditors whom it was felt had provided a significant contribution to work that they had completed in 2011/12. The nominations have considered audits and investigations that have identified matters resulting in material action being taken; and adapting to partnership working and sold services that will generate income. After deliberations, the Head of Audit would like to put forward two auditors for consideration of this award.

- 3.10. Auditor A- was handed responsibility for investigating allegations made in respect of the CDM 2007 project. Auditor A pursued this task with professionalism and due diligence in difficult circumstances where documentation was not available and the audit trail was unclear. Auditor A had to painstakingly piece together the history of the project and in the process identified significant shortcomings in the project resulting in a thorough report where there were 9 priority one recommendations. The outcome of the findings led to a management inquiry to which Auditor A provided an input and a detailed report to this committee and subsequently the Executive both of which he attended. The report was well received by management as being fair and all the recommendations were accepted.
- 3.11. Auditor B- was given a routine 5 day audit in Environmental Services from the 2011/12 internal audit plan. Using knowledge gained from previous enquiries, a cumulative spend report was run on the division that indicated concerns over compliance with the Financial Regulations and Contract Procedure Rules. Further audit work requiring a lot of understanding of contract procedures indicated significant findings that are now reported elsewhere on this agenda. The audit required a great deal of investigative skills resulting in a substantial report and eight priority one recommendations accepted by management.

### **3.12. Housing Benefit Update**

- 3.13. Since the inception of the partnership in April 2002, through to March 2012, the Council has successfully prosecuted 293 claimants to date for benefit fraud; issued 270 court summonses; given 94 formal cautions; and administered 308 penalties. The full details and appendices on trends are shown in Appendices B, C and D.
- 3.14. We have been successful in legal action to confiscate two properties in respect of a case previously successfully prosecuted – offers for these two properties have now been received and allowing for mortgage debt, 75 % of the proceeds going to the Home Office and HCMS and receiver fees, we stand to gain £30 K.
- 3.15. The Single Fraud Integrated Service (SFIS) is due to come into effect in April 2013. We still do not have a clear view on how Option one (that the Local Authority staff will remain employed by LAs, but operate under SFIS powers, policies, processes and priorities) will work. At this stage it is not known how this will work in respect of responsibility for sanctions i.e. prosecutions, formal cautions and administrative penalties.

### **3.16. Financial Regulations**

- 3.17. The Financial Regulations for this authority was last updated in April 2009. It needed to be updated given the feedback received from officers that it was too long (160 pages) and not user friendly and confusing in relation to limits for authorising payments and orders.



- 3.18. The Contract Procedure Rules sit outside of financial regulations and are accessed separately. As a result of the investigations various best practice notes, aides and guidance have been produced by Procurement to assist officers. These include a quick guide to the procedures, and guidance on the use of consultants, waivers and variations and exemptions.
- 3.19. The Financial Regulations have now been updated and a draft has been made available to members of this committee.
- 3.20. The main changes proposed are:
- Deletion of Financial Procedures – Part one. This document detailed 50 pages of responsibilities for Chief Officers across financial management, financial planning, risk management, system and procedures and external arrangements. Apart from this being a long, text book lifted and unwieldy part of Financial Regulations, a lot of this was already covered by the financial regulations strategic responsibilities section. As part of our review process of procedures part one, we incorporated some elements of relevance within the top level strategic part of the Financial Regulations.
  - We have also introduced a new document covering authorisation of limits for orders and payments (section 5 of the financial procedures). This has been approved by the Finance Director, Deputy Finance Director and Heads of Finance. The limits proposed are in line with I-proc limits and contract procedure rules. The document also contains listed exemptions that could be covered by a department's scheme of delegation.
  - The Financial Regulations have been amended to include changes in the organisation.
  - This leaves just two parts to the Financial Regulations that have been revised as indicated above – Financial Regulations (strategic) aimed at members and chief officers and Financial Procedures which is the document that most officers would need to make reference to. This contains procedures to be followed across a number of key areas of control such as budgetary control, salaries and payroll, ordering for goods and services, payment of accounts etc as well as appendices sitting at the bottom of the Financial Regulations covering fraud and corruption, gifts and hospitality and retention of documents.
- 3.21. We are also in the process of loading the Financial Regulations on the web as part of a video training package that officers can access that will take about 30 minutes to go through. This will contain two modules to include the Contract Procedure Rules. It is envisaged that officers will be required to have completed the two modules to authorise future payments.
- 3.22. The draft revamped financial regulations will be shorter (about 110 pages) and easier to navigate by using the document map facility in the 'view bar'. Members are asked to comment and approve the Financial Regulations.
- 3.23. Future of Public Audit**
- 3.24. At the last meeting of this committee we had given information on CLG thinking in appointing the external auditors. Since then the Audit Commission has informed us of their proposal to appoint our current external auditors PWC for a further period of 5 years from 1st September 2012. Authorities can object to this appointment but the grounds are restrictive and only on the grounds of independence issues not previously known to the Commission, there are joint working arrangements with other authorities that may warrant use of their auditors or we can demonstrate a history of inadequate services from PWC which is not the case.
- 3.25. The government is in the process of legislating for local authorities to appoint their own auditors after the current contract expires.

### 3.26. Partnership Working

- 3.27. We have continued to complete 2011/12 audit work commissioned by RB Greenwich as part of our agreement to provide audit services. This will generate £75k income on completion. It is envisaged that this agreement will continue for 2012/13. However, it should be noted that RB Greenwich have advertised for auditors and there is a risk that they may need less of our services going forward. We will monitor this situation as it unfolds especially as this income funds two FTE's auditors.
- 3.28. We have also continued to provide services to 12 academies (mostly responsible officer roles) that will generate about £19k this financial year.

### 3.29. Value for Money (VfM)

- 3.30. 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 audit team along with the organisational improvement team will be looking to provide help and advice on how best business areas can look to compare their performance with others using information and research that is made available. We had indicated four audits that were due a review - customer contact centre (see below), personal budgets (see below), CYP safeguarding, personal budgets and residential care placements. Safeguarding is work in progress and will be reported upon at a future meeting. Residential care placements – due to staffing resources and investigative work in 2011/12 this audit has been carried forward to this year.
- 3.31. In the 2012/13 plan, we have provisionally highlighted the following audits that could be subject to VfM arrangements: Debtors; Domiciliary care; Residential and Nursing care; Early Years; SEN and Inclusion; Car Parking (PCNs). We had previously reported on VfM arrangements in parking income and waste that had a scoring of substantially met and fully met respectively.

### 3.32. Review of customer contact centre

Based on the findings of the review for Value for Money (VfM) arrangements, Internal Audit has concluded that the service scored an overall 3 (Substantially met). This was on the basis of using a methodology agreed by members of the Audit Sub-Committee to review VfM in a scoring range of 1 – 4, with 1 equating to not met and 4 equating to fully met.

- Benchmarking rated as a 4. The benchmarking carried out centrally via the Local Authority Benchmarking Group compares information from 21 councils. In the main Bromley was performing just above average in the terms of performance.
- Customer surveys - a rating of 3 based on customer satisfaction surveys as carried out by the UK Customer Service Institute and which we have an average score of 59.2 against a Public Services average of 72.3 (we are below average).
- External assessment is rated as 3 based on the IE&E assessment that was carried out in June 2011. This report highlighted areas for improvement, such as moving the planning reception into the Main reception.
- Budget as 3 based on the budget in the first nine months monitoring which shows the budget is on budget as predicted at December.

### 3.33. Personal Budgets

Based on the findings of the review for Value for Money (VfM) arrangements, Internal Audit has concluded that the service scored an overall 3 (Substantially met). This was on the basis of using a methodology agreed by members of the Audit Sub-Committee to review VfM in a scoring range of 1 – 4, with 1 equating to not met and 4 equating to fully met.

- Benchmarking rated as 3 based on a yearly benchmarking and a monthly LGA exercise. Comparison against other authorities is good.
- Customer surveys is rated as 3 based on a recent survey in adult social care completed and published in November 2011.
- External assessments surveys is rated as a 3 - there have been no recent surveys of Personal Budgets, however, a safeguarding inspection was carried out that has led to improvements in the Safeguarding Policy and production of the annual safeguarding report.
- Budget is rated as a 3. There is regular budget monitoring with reports to committee.

### 3.34. Other matters

3.35. The Head of Internal Audit and the Head of Procurement have trained upwards of 200 officers in a series of mandatory training sessions on lessons learnt from our recent investigations specifically in relation to the Financial Regulations and the Contract Procedure Rules. There are two or three sessions left before we conclude this exercise. As part of this training we have given a demonstration on how budget holders and senior officers will monitor cumulative spend and members of this committee will be shown how this works.

3.36. We are also required to start gathering data for the 2012 NFI data matching exercise that will take place later this financial year.

### 3.37. Risk Management

3.38. As part of the Annual Governance Statement review we have been updating the risk register. We attach a schedule of the current net high risks (Appendix E). 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/HDol/ManKit/wikisite/Wiki%20Pages/Risk%20Management%20and%20Insurance.aspx>

Currently there are 155 risks of which 22 are high (14%), 77 are medium (50%) and 56 are low (36%). Although the number of risks has reduced from 175 since last year (mainly through consolidation and removal of old LAA performance related risks) the percentages remain in line.

## 4. POLICY IMPLICATIONS

None.

## 5. FINANCIAL IMPLICATIONS

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

## 6. LEGAL IMPLICATIONS

None

## 7. PERSONNEL IMPLICATIONS

None

<b>Non-Applicable Sections:</b>	
Background Documents: (Access via Contact Officer)	

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
RD/005/01/2009	<b>Review of debtors</b>	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 & Head Of Revenues & Bens.	As reported to this committee in December 2011, Liberata have put forward a proposal to undertake additional income and debt recovery functions for Bromley that would deliver estimated savings of £46K per annum over the next three years. Their approach would involve using centralised revenue collection and recovery dashboard reporting and tracking mechanisms, a bailiffs review and more robust tracing processes to deliver improved collection rates. Long term debt for ACS was also reported to ACS PDS Committee in November 2011. Audit will review long term debtors later in 2012/12 when Liberata would have had time to implement recovery procedures.	High
ACS/068/01/2009	<b>Emergency Accommodation &amp; Rent Accounts</b>	Nil Assurance	1o/s	Part 2	In progress	Head of Revenues & Benefits/ Exchequer Manager	One outstanding recommendation on rent arrears will be assessed following transfer of operational control of rent accounts to Liberata.	High
LD/001/01/2010	<b>Out of Hours Site Security</b>	Limited Assurance	1	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.  Additionally it was identified that 44 members of staff and councillors have 2 active access cards.	In Progress	Assistant Director Audit and Technical  Facilities & Support Services Manager  Head of ICT	Managers via CMG have been reminded of their responsibility to complete work force removal requests as expected for leavers.  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.  This recommendation will now be followed up in Qtr 1 2012/13.	High
CYP/024/01/2011	<b>Pupil Referral Unit 2011-12</b>	Limited Assurance	1	Part 2	In Progress	Head of Access and Admissions	All relevant managers in the Behaviour service, inc Pupil Referral Service, have been formally reminded of this responsibility and issued with relevant extracts from LBB financial regulations. Compliance will be monitored by Head of Access and Admissions Currently being followed up.	High
R&R/Inv/2011	<b>CDM 2007</b>	N/A	1o/s	Part 2	In progress	Director R&R	Expanded in Part 2-Referred to E&R PDS and Executive- effectively 8 out of the 9 recommendations have been implemented - the outstanding recommendation relates to sale of the project that is in progress.	
ENV/004/02/2011	<b>Car Parking, penalty charge notices Audit for 2011-12</b>	Limited Assurance	1	Environment finance highlighted a query which was prompted by a Freedom of Information request on bad debt write-offs for parking fines. This was raised with Internal Audit by the Head of Finance. It related to the reclassification of write offs and waivers by Parking Services in September 2009. Internal Audit reviewed the trends for waivers (which is a discretion exercised by Parking) and write-offs from April 2008 to March 2011. The proportion of PCNs waived for Parking fines increased substantially from 2008-09 to 2010-11 from £10,235 to £429,124. It was also noted that there was a corresponding decrease in the proportion of PCNs written off during that time. Internal audit enquired if these changes were taken to committee and if approval was sought for re-categorisation of bad debt given the substantial amounts being waived. The Head of Parking advised that this was not deemed necessary at the time. Given the substantial amount of debt now being waived rather than going through write off procedure, we recommended that it needed a formally agreed procedure.	In progress	Head of Parking	Reported to Environment Portfolio Holder via Environment PDS Committee 17th April 2012. This will be reviewed as part of 2012-13 audit.	High
Env/006/01/2011	<b>Parks &amp; Greenspaces</b>	Nil Assurance	8	Part 2	In progress	Director Env	Expanded in Part 2	High

The following priority one recommendations have been implemented:

Emergency accommodation & Rent accounts - 3 of the 4 priority ones have been implemented

Primary School B- Lease matter has now been resolved-see Part 2

IT Disaster Recovery - The recommendation that a plan is created and funding be agreed. Funding has been agreed and work is taking place to create a plan based on the new arrangements. Executive approval given

CDM 2001- 8 out of the 9 recommendations have been deemed to have been implemented- the outstanding recommendation relates to the proposed sale of the project.

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

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

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

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

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

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

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

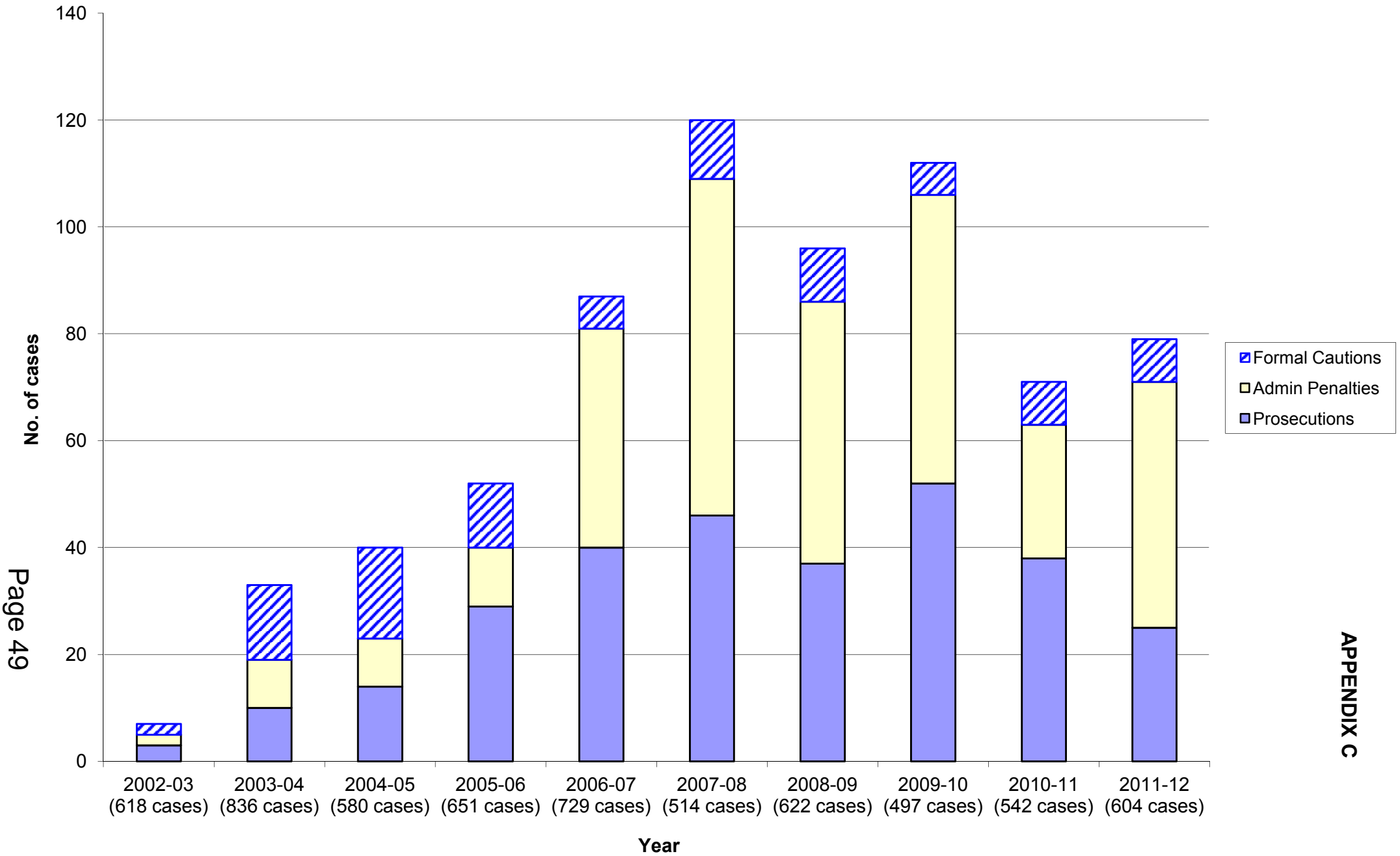
<b>2009/2010</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>TOTAL</b>
<b>Number of Cases</b>	38	51	61	51	43	57	28	46	16	44	24	38	<b>497</b>
<b>Confidential Hotline</b>	11	18	12	3	13	18	5	11	5	11	4	10	<b>121</b>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

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

<b>2011/12</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>TOTAL</b>
<b>Number of Cases</b>	52	60	56	57	30	64	58	68	31	46	43	39	<b>604</b>
<b>Confidential Hotline</b>	23	11	11	10	4	13	15	11	8	6	5	8	<b>125</b>
<b>Interviews</b>	18	28	24	21	19	10	16	18	17	18	25	21	<b>235</b>
<b>Claimant Visits</b>	10	10	4	3			1	6	6	4	7	7	<b>58</b>
<b>Prosecutions</b>	4	1	2		1	3	2	3		4	5		<b>25</b>
<b>Court Summonses</b>		3	1	5	4	1	7	3	1	1		2	<b>28</b>
<b>Admin Penalties</b>	6	10	4	5	8	3	4	2	2	1	1		<b>46</b>
<b>Formal Cautions</b>	1		1	1	1	1			1	2			<b>8</b>

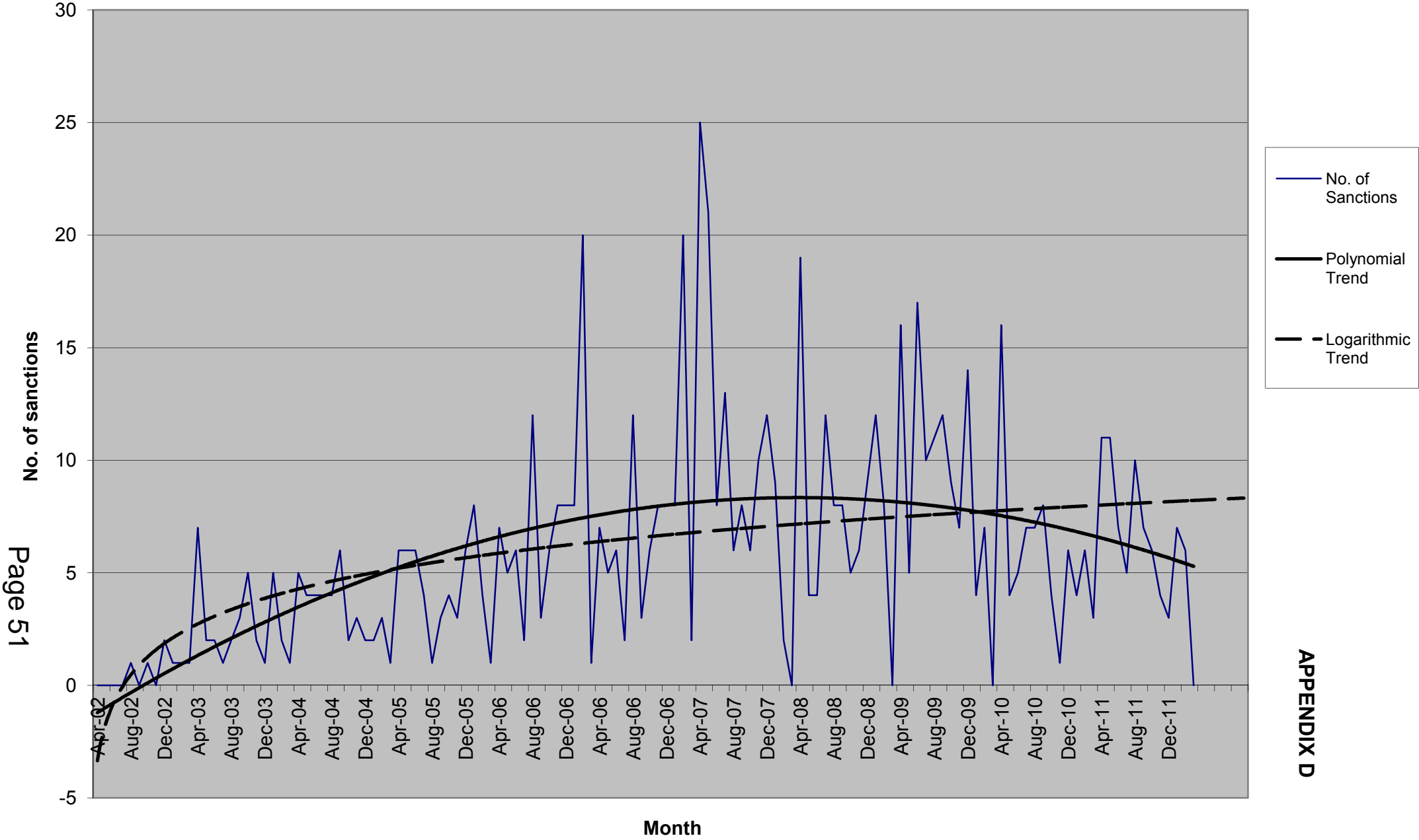


## HB Sanctions - Annual Comparison



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



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## BROMLEY RISK REGISTER - HIGH RISKS - AUDIT SUB-COMMITTEE JUNE 2012

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
ACS/HSD.0370	Adult and Community Services	Housing	Housing Development	Lack of availability of Capital Grant to deliver key schemes for range of client groups and corporate / portfolio plan priorities especially from 2011/14 Housing Communities Agency (HCA) programme  Financial - Operational	David Gibson	<b>Controls:</b> 1. Areas identified ----- <b>Actions:</b> - Planning to address impact
ACS/HSD.0372	Adult and Community Services	Housing	Housing Development	Lack of planning permission. Significant reduction in applications and starts due to economic downturn.  Financial - Operational	David Gibson	<b>Controls:</b> 1. Areas identified ----- <b>Actions:</b> - Planning to address impact
ACS/HSN.0371	Adult and Community Services	Housing	Housing Needs	Housing client pressures and the effects of bed and breakfast accommodation. Rising use and cost of B&B.  Social - Strategic (sub: Operational - Financial)	David Gibson	<b>Controls:</b> 1. Housing avoidable contact Project 2. Continue to focus on preventing homelessness and diversion to alternative housing options ----- <b>Actions:</b> - Seeking new and alternative forms of temporary accommodation and supply
CEX/COM.0007	Chief Executive's	Communications	Communications	Failure to handle crisis communications in a major incident correctly  Political - Strategic	Chief Executive	<b>Controls:</b> 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. ----- <b>Actions:</b> - 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	<p>Failure to deliver on efficiency projects with the Organisational Improvement Programme will result in savings having to be made elsewhere, for example frontline services</p> <p>Political - Strategic</p>	Chris Spellman	<p><b>Controls:</b></p> <p>1. Programme Board set up chaired by Chief Executive with cross-organisation representatives and monthly monitoring reports</p> <p>-----</p> <p><b>Actions:</b></p> <p>- Closer Member engagement and involvement in OIP process</p>
CYP/ALL.0245	Children and Young People	All CYP Divisions	All CYP Sections	<p><b>Council Budget Savings</b></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>As at Jan 2012, the CYP contribution towards 2012/13 savings is being consulted upon.</p> <p>Risk that budget savings within CYP will leave insufficient financial resources for the CYP Dept to discharge its statutory responsibilities and key priorities.</p> <p>Flagged as 'Corporate Risk' due to severity of cuts and the number of redundancies arising from the cuts.</p> <p>Financial - Operational</p> <p>(See also CYP/149-0272 - cuts to Govt Grant Funding)</p>	Director CYP / Chief Executive	<p><b>Controls:</b></p> <p>1. Existing financial risk management strategies. 2. Medium Term Financial Strategy.</p> <p>-----</p> <p><b>Actions:</b></p> <p>- 2010/11 in-year Government grant reductions of £1.4m within CYP Services. - Report DCYP11020 to CYP PDS 24/1/11 identified £6.8m CYP savings for 2011/12 and 2012/13 for consultation. - All CYP savings except funding for the Volunteers 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. - Report DCYP12012 to CYP PDS 24/1/12 identified further budget savings for 2012/13 and 2013/14 for consultation. - Decision on Council Budget for 2012/13 to be made at 1/2/12 Executive meeting-endorsement by Full Council 20/2/12.</p> <p>-----</p> <p>Financial Implications:</p> <p>- Savings are embedded in the budget. Risks being monitored monthly by managers/finance to see the potential financial impact of this.</p>

CYP/ALL.0247	Children and Young People	All CYP Divisions	All CYP Sections	<b>Inspections - CYP Services</b>  Risk of poor inspection outcomes for CYP Services.  Annual Ofsted inspection of Children's Services (Nov 2011) resulted in a Rating of 3 out of 4 - 'Performs Well'.  Professional - Operational	Director CYP	<b>Controls:</b> 1. Robust performance management at manager, Member and Partnership Board level. 2. Learning from other local authorities. 3. Good project management and achievement of key milestones. ----- <b>Actions:</b> - 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 Plans following inspections.
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CYP/ALL.0272	Children and Young People	All CYP Divisions	All CYP Sections	<p><b>Government Grant Funding</b></p> <p>Adverse impact of withdrawal of Government Grants on CYP Service delivery and jobs.</p> <p>2010/11 in-year Government grant reductions of £1.4m within CYP Services. Flagged as 'Corporate Risk' due to the severity of the cuts and the number of redundancies arising from the cuts.</p> <p>In 2011/12 Grants such as Standards Funds &amp; Surestart Grant were either withdrawn by Govt completely or amalgamated into other non-ringfenced grant such as Early Intervention Grant.</p> <p>(See also CYP/ALL.0245 - Council Budget Savings)</p> <p>Financial - Operational Economic - Strategic</p>	Director CYP / Chief Executive	<p><b>Controls:</b></p> <p>1. Continue to monitor Coalition Government announcements to react to financial/statutory changes.</p> <hr/> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Report DCYP10114 identified the savings to be made to meet the £1.4m reduction.</li> <li>- Achievement of savings required changes in planned service activity and staff re-organisation.</li> <li>- Invoke established HR procedures for managing redundancies and redeployment.</li> <li>- Investigate potential for sold services.</li> </ul> <hr/> <p>Financial Implications:</p> <ul style="list-style-type: none"> <li>- In year not a huge impact now as this has been managed. DSG reductions are known and are managed. The huge issue/risk here are the future funding cuts. LACSEG cuts in RSG will affect CYP and all other departments. It could be as much as £6.25m. This is being looked at corporately. The more academies we have the greater the impact it will have on both RSG and DSG clawback.</li> <li>- Generally the cuts in LA funding will have an impact as CYP will have to find additional savings in future years like all other departments. There is a risk around whether we can provide our statutory duties and whether there is the critical mass to provide services to the schools that remain maintained. Council is lobbying Govt on these issues.</li> </ul>
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CYP/ALL.0374	Children and Young People	All CYP Divisions	All CYP Services	<p><b>Academy Status</b></p> <p>Impact of Academies Act - uptake of Academy Status by schools results in following risks:</p> <ul style="list-style-type: none"> <li>- financial; loss of budget to CYP Dept and Council as a whole;</li> <li>- 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;</li> <li>- local Education framework; unity, cohesion, collective accountability, future capacity of the Local Authority.</li> </ul> <p>The more schools that attain Academy Status the higher the impact.</p> <p>Financial threat to the Local Authority as a whole has resulted in this being flagged as a 'Corporate' Risk.</p> <p>Financial - Operational</p>	Director CYP / Chief Executive	<p><b>Controls:</b></p> <p>1. Monitor and review Government announcements and plan accordingly.</p> <hr/> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Assess and manage impact and plan accordingly; 15 of the 17 Sec Schools &amp; 10 of the 74 Primary Schools had attained Academy Status by Dec 2011.</li> <li>- 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.</li> <li>- Investigate selling Council Services to schools.</li> </ul> <hr/> <p>Financial Implications:</p> <ul style="list-style-type: none"> <li>- The uncertainty of the actual number of schools becoming academies, and the timing of the in year reduction to DSG funded services. There are time delays between being able to reduce expenditure (downsizing of services, HR rules etc.) and the funding being removed from the LA.</li> <li>- Removal of DSG funding from centrally funded CYP Services. This is dependent upon the actual number of conversions, but there is a risk that there may be insufficient remaining funding to deliver the statutory support functions to schools remaining LA maintained.</li> <li>- Removal of RSG for 2012/13 ltd to £1.4m already known about in previous budget rounds. 2013/14 potential top slice remains unclear-current estimates suggest add'l £3m will be removed from the budget. Potential that RSG would not accurately reflect the savings that could be achieved or leave sufficient funding for statutory or regulatory functions.</li> <li>- Potentially huge cuts in RSG and DSG in 2013/14.</li> <li>- Issues around further reductions in Council services as a result of this, implications on sold services.</li> </ul>
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CYP/SAA.0320	Children and Young People	Education	School Improvement Services	<p><b>School Standards - Under-Performance in Primary Schools</b></p> <p>Failure to improve under-performance in Primary Schools against a background of down-sizing the 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 schools causing concern.</p> <p>Professional - Operational</p>	AD Education	<p><b>Controls:</b></p> <p>1. Primary School Improvement Policy.</p> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Re-organisation of School Improvement Service spring 2011.</li> <li>- Aim of primary school improvement policy is to raise standards in all Bromley schools and reduce disparity of performance.</li> <li>- Ensure early intervention in schools where there is cause for concern.</li> <li>- Target support to bring schools out of special measures.</li> <li>- Categorise schools according to need and deploy resources appropriately to ensure bespoke support/challenge.</li> <li>- Evaluate effectiveness of the support provided to schools causing concern through detailed plans for improvement and ensure accountability rests with school stakeholders.</li> </ul> <p>-----</p> <p><b>Financial Implications:</b></p> <ul style="list-style-type: none"> <li>- If schools start to fail and/or school standards start to fail we may have to put funding in to support this. This is a LA function. However this would be limited as funding already cut. May have to use schools funding to support this. Schools moving to academies would mean we would not have this responsibility. As schools turn to academies there is also a risk of the LA not having the critical mass to offer services to the remaining schools.</li> </ul>
ENV/ALL.0157	Environmental Services	All ENV Divisions	All ENV Sections	<p>Operational Emergencies (e.g. extreme heat, storms, floods, snow)</p> <p>Physical - Operational</p>	All ENV ADs	<p><b>Controls:</b></p> <p>1. Emergency Plan</p> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Cross discipline trained Local Authority Liaison Officers</li> <li>- Invicta out of hours service - published number and escalation procedure</li> </ul>

ENV/CSS.0209	Environmental Services	Customer and Support Services	All CSS Sections	Failure to implement and keep up-dated effective council-wide Business Continuity Plans  Reputational - Strategic	Steve Lewis	<b>Controls:</b> 1. Key critical systems identified 2. Updating Business Continuity Plan and database (Civil Contingencies Act 2004) 3. Emergency Planning and Business Continuity training ----- <b>Actions:</b> - Individual service continuity plans need updating annually - Contractors' BCPs to be checked
R&R/TCD.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	<b>Controls:</b> 1. Renewal team to proactively seek to broker developer interest ----- <b>Actions:</b> - In tandem with the Area Action Plan (AAP) currently being implemented to continue dialogue with interested parties, development agents and consultants
RES/LDC.0099	Resources	All LDC Divisions	All LDC Sections	Failure to meet the current and changing needs of customers; risk of censure at local level  Customer / Citizen - Strategic	Director RES / Joy Connor	<b>Controls:</b> 1. Systematic consultation 2. Robust internal customer service standards 3. Continuous learning and feedback ----- <b>Actions:</b>
RES/ALL.0075	Resources	All RES Divisions	All RES Sections	Failure to deliver project stated aims within timescale or budget as a result of project management failings  Personnel - Operational	All RES Managers	<b>Controls:</b> 1. Effective training in project management techniques ----- <b>Actions:</b> - Identify key management staff - Through PADS/PRP, identify need for and provide project management training

RES/ALL.0077	Resources	All RES Divisions	All RES Sections	<p>Breach of statutory obligations through failure of compliance with relevant legislation (e.g. Freedom of Information, Health and Safety, Disability Discrimination)</p> <p>Legal - Operational</p>	All RES Managers	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Register of all relevant statutory requirements</li> <li>2. Regular review of compliance</li> <li>3. Effective training of managers in requirements of relevant legislation</li> </ol> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Identify, document and review all relevant statutory requirements</li> <li>- Identify and train all staff responsible for meeting statutory requirements</li> </ul>
RES/FIN.0019	Resources	Finance	All Finance Sections	<p>Systems for identifying and alerting managers on budgetary failures</p> <p>Financial - Operational</p>	Pete Turner	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Monthly budget monitoring to DMTs, and COE after reporting to service managers. Annual timetable produced, standards agreed and implemented</li> <li>2. Reports during June to March period with early warnings/key budget areas identified during remainder of year.</li> <li>3. Escalation routes agreed re overspend areas including option of early reporting to Members</li> <li>4. Review and continuation of Heads of Finance obtaining 'sign off' budget monitoring statements with managers establishing the robustness of the systems</li> <li>5. Heads of Finance required to review systems and introduce improvements</li> <li>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 economic downturn</li> <li>7. Budget monitoring reports to include identification of impact on future years</li> </ol> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Formal structures and procedures in place for monitoring and corrective action to minimise risk (Process and structures to be reviewed monthly)</li> <li>- Implemented changes to monitoring arrangements to support any further structural / accountability changes</li> </ul>

RES/FIN.0282	Resources	Finance	All Finance Sections	<p>Failure to produce and deliver a balanced budget which meets priorities.</p> <p>Greater financial uncertainty to reflect impact of public finances and austerity measures. Reduced income during the current economic period, high inflation, whilst key service pressures due to demographic and other factors remain.</p> <p>Economic - Strategic</p>	Pete Turner	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports</li> <li>2. Departmental risk analysis</li> </ol> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Regular reporting of financial forecast updates (at least 3 times a year) to provide an update of financial impact and action required</li> <li>- Obtain monthly trend / current data to assist in any early action required</li> <li>- Obtain regular updates / market intelligence</li> </ul>
RES/TEC.0298	Resources	Finance	Technical and Control	<p>Banking failure</p> <p>Financial - Operational</p>	Martin Reeves	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Annual investment strategy</li> <li>2. Review of counterparty list</li> <li>3. Monitoring via Sector (external advisors)</li> <li>4. CIPFA Treasury Management Code of Practice</li> </ol> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Quarterly reports to Executive</li> <li>- Quarterly reports to PDS and Portfolio Holder</li> <li>- Detailed review of approach</li> <li>- Intensified monitoring of position</li> <li>- Adoption of Code of Practice</li> <li>- Approval of annual strategy by Full Council (February)</li> </ul>

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"> <li>1. Investment markets fail to perform in line with expectations</li> <li>2. Market yields move at a variance with assumptions</li> <li>3. Investment managers fail to achieve their targets over the longer term</li> <li>4. Longevity horizon continues to expand</li> <li>5. Deterioration in pattern of early retirements</li> <li>6. Changes to regulations e.g. more favourable benefits package</li> <li>7. Administering authority unaware of structural changes in an employer's membership e.g. large fall in employee members, large number of retirements</li> </ol> <p>Financial - Operational</p>	Pete Turner	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Financial: Monitoring of investment returns - analysis of valuation reports</li> <li>2. Demographic: Longevity horizon monitored at triennial reviews - quarterly review of retirement levels</li> <li>3. Regulatory: Monitor draft regulations and respond to consultations - actuarial advice on potential where appropriate</li> <li>4. Governance: Encourage other employers to keep Council informed of changes. Bromley Mytime employer's contribution rate to be reviewed annually towards end of contract</li> </ol> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Quarterly reports to Pensions Investment Sub-Committee</li> <li>- Funding Strategy Statement</li> <li>- Statement of Investment Principles</li> <li>- Communications Policy</li> <li>- Governance Policy</li> <li>- Triennial valuation by actuary</li> </ul>
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>	Martin Reeves	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Regular strategy meetings</li> <li>2. Use of external advisors</li> <li>3. Internal Audit review of activities</li> <li>4. Reporting to Members</li> <li>5. Adoption of CIPFA Treasury Management Code of Practice</li> </ol> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Periodic reviews of approach in light of economic downturn</li> </ul>
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>	Tracey Pearson	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Close monitoring of spend and income</li> <li>2. Reporting to Members</li> <li>3. Tight control of spending commitments</li> </ol> <p>-----</p> <p><b>Actions:</b></p>

SEE ATTACHED WORKSHEET FOR GUIDANCE RE: CORPORATE RISKS

**BROMLEY - CORPORATE CROSS-CUTTING RISKS - 2012**

1	<p><b>Failure to achieve strategic BBB objectives and organisational change</b></p> <p>Causes:</p> <ol style="list-style-type: none"> <li>1. Departmental business and portfolio plans do not achieve desired outcomes</li> <li>2. Failure to develop and implement key strategies</li> <li>3. Lack of demonstrable progress on the Customer Access Programme</li> <li>4. Failure to keep Local Development Framework documentation to timetable leading to planning risks in meeting BBB priorities</li> <li>5. Uncertainty surrounding long term future of schools</li> </ol> <p><b>RESPONSIBLE OFFICER:</b> CMT</p>
2	<p><b>Failure to embed effective and robust professional disciplines to drive improvement and enable good practice and consistency in delivering change and the achievement of outcomes and benefits</b></p> <p>Causes:</p> <ol style="list-style-type: none"> <li>1. Failure to strengthen programme and project management arrangements across the council</li> <li>2. Lack of capacity to lead projects and consequent ability to respond to change initiatives</li> <li>3. Failure to embed effective performance management across the organisation</li> <li>4. Failure to embed an effective risk management process throughout the council</li> </ol> <p><b>RESPONSIBLE OFFICER:</b> Chief Executive</p>
3	<p><b>Failure to recruit and retain qualified and experienced staff due to shortage of good quality permanent staff in key areas leading to succession planning issues, skills gap and potential deterioration of service quality</b></p> <p>Causes:</p> <ol style="list-style-type: none"> <li>1. Failure to develop and implement effective recruitment and retention strategies</li> <li>2. Deterioration of service quality through loss of experienced staff as a result of age profile of workforce</li> <li>3. Failure to succession plan</li> <li>4. Potential future shortage of professionally qualified practitioners in key areas</li> <li>5. Failure to manage change in the workforce including organisational downsizing</li> </ol> <p><b>RESPONSIBLE OFFICER:</b> Assistant Chief Executive Human Resources</p>
4	<p><b>Failure of a contractor / partner / provider to maintain agreed service levels resulting in an interruption to or deterioration of service delivery</b></p> <p>Causes:</p> <ol style="list-style-type: none"> <li>1. Failure of a contracted provider</li> <li>2. Potential for operational errors by contractors</li> <li>3. Volatile markets; procurement / commissioning</li> <li>4. PCT and 'health' uncertainty as a result of re-provisioning of services in London sub-regions and NHS reforms</li> </ol> <p><b>RESPONSIBLE OFFICER:</b> CMT</p>
5	<p><b>Failing to develop IT information systems to reliably support departmental service delivery and to promote efficiency; data collection and management information quality (including our partners)</b></p> <p>Causes:</p> <ol style="list-style-type: none"> <li>1. Failure of key business IT systems to reliably support departmental service delivery</li> <li>2. Information systems; established and maintained as fit for business purpose</li> <li>3. Failure to ensure the confidentiality, integrity and availability of information assets</li> </ol> <p><b>RESPONSIBLE OFFICER:</b> Director Resources</p>

6	<p><b>Failure to implement an effective council-wide Business Continuity Plan with the result that services are severely disrupted as a consequence of:</b></p> <ol style="list-style-type: none"> <li>1. loss of premises due to explosion / fire / flood etc.</li> <li>2. loss of a key business system due to power problems or system failure</li> <li>3. severe weather conditions</li> <li>4. other factors</li> </ol> <p>Causes:</p> <ol style="list-style-type: none"> <li>1. Unavailability of council depots</li> <li>2. Failure of CCTV system</li> <li>3. Operational emergencies due to severe weather conditions, fire, major incident</li> <li>4. Inadequate IT disaster recovery arrangements leading to dislocation of council services</li> <li>5. IT failure impacting on an operational system e.g. CONFIRM and/or contractor liaison</li> <li>6. Sustained industrial action affecting key service areas</li> <li>7. Flu pandemic</li> </ol> <p><b>RESPONSIBLE OFFICER:</b> Director Environmental Services</p>
7	<p><b>Failure to produce and deliver a sustainable Financial Strategy which meets BBB priorities and failure of individual departments to meet budget</b></p> <p>Causes:</p> <ol style="list-style-type: none"> <li>1. Government funding and 'grant floor'</li> <li>2. Effect of Comprehensive Spending Review, inflation, interest rates etc.</li> <li>3. Failure to meet departmental budgets</li> <li>4. Increased demand on key services resulting in overspends</li> <li>5. Dependency on external grants to fund services - effect if grant ceases</li> <li>6. Capital expenditure (sustainable strategy that meets council priorities; affordable and prudent)</li> </ol> <p><b>RESPONSIBLE OFFICER:</b> Finance Director</p>
8	<p><b>Failure to comply with legislation / statutory obligations</b></p> <p>Causes:</p> <ol style="list-style-type: none"> <li>1. Failure to track change in legislation and policy</li> <li>3. Continued change to government strategy and policies</li> <li>4. Safeguarding agenda</li> <li>5. Equalities agenda</li> </ol> <p><b>RESPONSIBLE OFFICER:</b> Director Resources</p>
9	<p><b>Failure to ensure policies and strategies are 'Fit for Future Purpose'</b></p> <p>Causes:</p> <ol style="list-style-type: none"> <li>1. Failure to adequately consult residents, service users, businesses and other interested parties</li> <li>2. Failure to meet customers' changing needs</li> <li>3. Organisational structure (having the right people and the right finance in place)</li> <li>4. Availability of quality data to support decisions</li> </ol> <p><b>RESPONSIBLE OFFICER:</b> CMT</p>
10	<p><b>Reputational Risk (damage to an organisation through loss of its reputation or standing)</b></p> <p>Causes:</p> <ol style="list-style-type: none"> <li>1. Inspection regime (Value for Money and service inspectorates) and ratings - in relation to 'excellent in the eyes of local people'</li> <li>2. Failure to identify and highlight frauds and weaknesses in the system of internal control</li> <li>3. Failure to disseminate 'lessons learned'</li> </ol> <p><b>RESPONSIBLE OFFICER:</b> Head of Audit</p>







# 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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# Agenda Item 12

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