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DATE: 17 June 2014

To: Members of the
AUDIT SUB-COMMITTEE

Councillor Neil Reddin FCCA (Chairman)
Councillor Alan Collins (Vice-Chairman)
Councillors Nicholas Bennett J.P., Ian Dunn, Simon Fawthrop, Keith Onslow and
Stephen Wells

A meeting of the Audit Sub-Committee will be held at Bromley Civic Centre on
WEDNESDAY 25 JUNE 2014 AT 7.00 PM

MARK BOWEN
Director of Corporate Services

Copies of the documents referred to below can be obtained from
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 19th June 2014.

**4 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 12TH MARCH 2014--
EXCLUDING THOSE CONTAINING EXEMPT INFORMATION (Pages 3-8)**

5 MATTERS ARISING REPORT (Pages 9-14)

6 ANNUAL AUDIT REPORT (Pages 15-46)

7 INTERNAL AUDIT PROGRESS REPORT (Pages 47-64)

8 INTERNAL AUDIT PROGRESS REPORT INFORMATION BRIEFINGS

As requested by the Sub-Committee, an information briefing has been compiled of Internal Audit Reports. The reasons for placement waivers are provided in part two of the agenda.

Members and Co-opted Members have been provided with advance copies of the briefing via email. The briefing is also available on the Council's website at the following link: [AUDIT 250614 INFORMATION REPORTS](#)

Printed copies of the briefing are available upon request by contacting Steve Wood on 0208 3123 4316 or by email at stephen.wood@bromley.gov.uk

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

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

Items of Business

Schedule 12A Description

- | | |
|---|--|
| 10 EXEMPT MINUTES OF THE MEETING HELD ON 12TH MARCH 2014 (Pages 65-70) | Information relating to the financial or business affairs of any particular person (including the authority holding that information)
Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. |
| 11 INTERNAL AUDIT FRAUD & INVESTIGATION REPORT (Pages 71-94) | Information which is likely to reveal the identity of an individual.
Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. |
| 12 ANNUAL INTERNAL AUDIT FRAUD & INVESTIGATION REPORT (Pages 95-112) | Information which is likely to reveal the identity of an individual.
Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. |

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AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.30 pm on 12 March 2014

Present:

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

Also Present:

Councillor Peter Fookes

59 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

No apologies for absence were received.

60 DECLARATIONS OF INTEREST

Councillor Neil Reddin declared an interest as a governor of St Olave's School, and as the parent of a child at Warren Road Primary School.

Councillor Reg Adams declared an interest as a governor of Churchfield and Stewart Fleming Primary Schools.

Councillor Simon Fawthrop declared an interest as the parent of a child at a Bromley School.

Councillor Julian Grainger declared an interest as a governor at St Olave's School and Chelsfield Primary School.

Councillor Will Harmer declared an interest as a member of The Ravensbourne School advisory body.

61 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

62 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 6TH NOVEMBER 2013 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

RESOLVED that the minutes held on 6th November 2013 (excluding exempt information) be confirmed.

63 MATTERS ARISING

Report CSD14040

The Sub Committee received a summary of matters arising from previous meetings and considered the following matter in particular:

- In relation to minute 48/1 (6th June 2013) regarding the internal fraud and investigation report concerning expenditure on play equipment at Hookwood Road, Pratt's Bottom, it was noted that the investigation was completed and that no issues of concern were found. However Councillor Grainger felt that even though there was no evidence of fraud and tendering procedures were complied with, the play equipment in this case seemed to be of a higher specification and more expensive than those used in similar play areas. Councillor Grainger felt that there might be over specification, and a possible waste of taxpayer's money. It was decided that the specification should be looked into further.

RESOLVED

(1) That the report be noted.

(2) That the reason for the high cost/specification of the play equipment at Hookwood Road, Pratt's Bottom be clarified by internal audit.

64 EXTERNAL AUDIT - ANNUAL AUDIT PLAN 2013-14

Report CEO1405

This report was written to review the external auditor's annual plan arrangements for 2013-14. It was noted by the Sub Committee that the cost element in auditing the accounts for 2013-14 would be in the region of £196,000. It was further noted that there was a legal requirement to externally audit the accounts and subsequently report back to the Audit Commission.

The Sub Committee was informed of external audit activity for 2013-2014 within the scope of the Annual Audit Plan 2013-14. The Plan had been prepared to inform officers and Members about the responsibilities the external auditors had, and how they planned to discharge them.

Janet Dawson from PwC explained that the audit approach would be based around Risk Management, and the classification of these risks as either "significant" or "elevated". The differences between these terms was explained.

Clarification was sought from the Sub Committee by PwC on their views of the proposed de minimus thresholds; these were proposed at £650,000 in respect of the main accounts and £500,000 with respect to the Pension Fund. The "de

“de-minimus” level (proposed at £650,000) had been referred to in the PwC audit report by another term which was the level of “Triviality”. Several of the Committee Members felt that this was not an appropriate term as this was not a trivial amount of money. Members requested assurances that all errors would be highlighted by the auditors to management, and assurances were provided to this effect. It was pointed out that the term “trivial” was terminology used in the International Standards on Auditing.

Clarification was sought by Members with respect to elevated risk regarding Pensions. Councillor Grainger pointed out that there was a 20% average volatility risk associated with core equity funds, but that now the council had agreed to move to a Diversified Growth Fund where volatility was decreased to 14%, so risk should decrease.

A Member noted Appendix C, and the sub heading, “The Local State We’re In.” The question was asked if Bromley was going to be solvent in the future. Janet Dawson responded by stating that the auditors were going to meet shortly with the Chief Executive and Senior Officers to discuss a strategy to understand key risks and long term planning.

PwC assured that they believed fundamentally in the value of audit, and that they were looking to provide value for money and meaningful conclusions.

The Audit Plan would also look at the risk of fraud, identifying fraud, and how detected or suspected fraud could be responded to. The Audit Fees were clarified and noted that they would be £196,668 this compared with £210,653 for the previous financial year. It was noted by the Committee that the total fee for 2012/13 did not include current work ongoing to respond to an objection to the 2012/13 accounts raised by a local elector. At the time of writing the audit report, the estimated cost of this work was £15,000.

RESOLVED that

- (1) The external auditor’s arrangements for the Annual Audit Plan 2013-14 are noted.**
- (2) A de-minimus level of £650,000 for the reporting of differences and misstatements to the Sub Committee is agreed.**
- (3) The proposed audit fees for 2014/15 are agreed.**
- (4) Members of Audit Sub Committee were satisfied with the arrangements for fraud detection, fraud monitoring and fraud prevention procedures.**

65 EXTERNAL AUDIT - ANNUAL CERTIFICATION AUDIT

Report CEO1406

This document had been submitted to inform members of the findings of the external auditor's report on the annual certification for 2012/13.

The auditors requested that:

- Members note and comment on the attached report from themselves covering their findings in respect of the annual certification of Housing and Council Tax Benefits, National Non Domestic Rates, and the Teachers' Pension Return.
- Members were asked to consider the adequacy of the proposed Management Action Plan for 2012/13.
- Members were also asked to note and comment on the adequacy of progress made in implementing the 2011/12 action plan.

It was noted that with the certification audit discrepancies had to be reported on down to the last £1.00; hence the £4,344.00 discrepancy reported on with respect to Housing Benefit.

Attention was drawn to a matter on page 61 of the agenda with respect to the testing of the teacher's pension return. It was stated by the Head of Audit that those issues had now been resolved and would be tested in the pensions audit planned for 2014/15.

RESOLVED that

(1) The contents of the report are noted

(2) The proposed Management Action Plan for 2012/13 is adequate, and that satisfactory progress has been made in implementing the plan.

66 ANNUAL INTERNAL AUDIT PLAN 2014/15

Report CEO 1402

This report was drafted to inform Members in relation to the Internal Audit Plan for 2014-15. Members agreed that they were happy with the internal audit plan.

RESOLVED that the report be noted.

67 INTERNAL AUDIT PROGRESS REPORT

Report CEO 1403

This report was written to inform members of recent audit activity across the Council, and to provide an update on matters arising from the previous meeting.

Members discussed waivers as outlined in the appendix attached to the report, and commented as appropriate. Members were concerned that waivers should be reported to PDS Committees for scrutiny. It was agreed that verification be sought that the Care Services PDS Committee scrutinise placement waivers and if this was the case, to be reported back to Audit Sub Committee to allow members to decide if care services placements need to be included on the waiver list presented to this committee. It was confirmed by Cllr Wells that Education placements are reported to Education PDS but these were just a few.

Cllr Harmer raised an issue on value for money and Cllr Grainger raised the report commissioned from CIPFA in 2008 that members found very useful. This was discussed at the previous meeting when it was agreed that the Director of Finance would explore this option.

The update on financial impact on high risks was noted.

RESOLVED that

(1) The contents of the report be noted

(2) The waivers approved from October 2013 to February 2014 be noted; the Committee is content with the revised format for reporting waivers, but felt that another column may need to be added to indicate details of PDS scrutiny.

(3) The Committee notes the list of Internal Audit Reports on the web, and approves the reports where exemptions are sought. In future members wanted more detail for exemptions sought for reports not to be published within Part 2 of the agenda to include exemption reasons for reports already indicated within the Progress report. This will be reviewed every six months.

(4) The Sub Committee notes the continuing achievements of the counter fraud benefit partnership with the Royal Borough of Greenwich.

(5) The Committee agrees that placement waivers should in the future be scrutinised by PDS Committees and this should be reported to the Audit Sub Committee.

(6) That the Director of Finance pursues the Value for Money study offered by CIPFA.

68 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.

69 EXEMPT MINUTES OF THE MEETING HELD ON 6TH NOVEMBER 2013

RESOLVED that the exempt minutes of the meeting held on November 6th 2013 be agreed.

70 INTERNAL AUDIT FRAUD & INVESTIGATION REPORT

Report CEO 1404

The report was drafted to update Members regarding recent internal audit activity on fraud and investigations across the Council. The report also provided an update on matters arising from previous meetings, and provided a further update on results of the 2012 National Fraud Initiative (NFI).

RESOLVED that the contents of the report be noted.

The Meeting ended at 10.30 pm

Chairman

Agenda Item 5

Report No.
CSD 14076

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 25 June 2014**

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

Title: **MATTERS ARISING**

Contact Officer: Stephen Wood, Democratic Services Officer
Tel: 020 8313 4316 E-mail: Stephen.Wood@bromley.gov.uk

Chief Officer: Mark Bowen, Director of Resources

Ward: n/a

1. Reason for report

To update the Sub-Committee on progress with Matters Arising from previous meetings. Some of these updates relate to part 2 matters, and details are in the part 2 report.

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: £367,636
 5. Source of funding: 2014/15 revenue budget
-

Staff

1. Number of staff (current and additional): 8.75fte
 2. If from existing staff resources, number of staff hours: Completion of "Matters Arising" reports for the Audit Sub Committee normally takes a few hours per meeting.
-

Legal

1. Legal Requirement: None:
 2. Call-in: Not Applicable:
-

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.
-

Ward Councillor Views

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

3. COMMENTARY

Attached is a schedule of matters outstanding from previous meetings of the Audit Sub Committee with a note of progress made. Most of these issues are taken up in more detail in the progress reports on this agenda (parts 1 and 2). Once an outstanding matter has been completed it will be removed from the schedule.

Non-Applicable Sections:	Policy/Financial/Legal/Personnel
Background Documents: (Access via Contact Officer)	Previous Minutes of Audit Sub Committee.

Appendix 1

Issue & Date	Summary	Action being taken	By	Estimated Completion
Matters Arising Minute 63 12 th March 2014	It was decided that further investigation was required regarding the specification of the play equipment at Hookwood Road, Pratt's Bottom.	Being investigated by Internal Audit	Linda Pilkington from the Audit Team.	Investigation undertaken by Linda Pilkington from Internal Audit has now been completed, and a report from Parks and Greenspace has been released. Update to be provided by Head of Internal Audit.
Internal Audit Progress Report Minute 67 Resolution 5 12 th March 2014	It was resolved that placement waivers be scrutinised by PDS Committees and reported back to the Audit Sub Committee.	Details of the process currently in place has been forwarded to the Head of Internal Audit by Lorna Blackwood- Assistant Director for Commissioning.	Head of Internal Audit	June 2014
Internal Audit Progress Report Minute 67 Resolution 6 12 th March 2014	It was resolved that LBB pursue the Value for Money study offered by CIPFA and an update be provided to the Committee.	Peter Turner has commissioned CIPFA to undertake this review later in this financial year after local authorities have published their accounts.	Director of Finance	November 2014
Internal Audit Fraud and Investigation Report Part 2 Minute 70/1	Matters relating to: Insurance Investigation Learning Disabilities Audit Care Management	See updated Part 2 reports.	Head of Internal Audit	June 2014

	Employee Library Fraud Castlecombe Children and Family Centre Ravensbourne School Internet Mis-Use			
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Agenda Item 6

Report No.
CEO 1408

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 25 June 2014**

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: Chief Executive

Ward: (All Wards);

1. Reason for report

The annual report of audit activity in 2013/14 is for Member information and is also intended to assist the Council in meeting the financial management and internal control 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. 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 schools are now included within this report but there is an annual fraud report elsewhere on this agenda.

2. **RECOMMENDATION(S)**

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

Corporate Policy

1. Policy Status: Not Applicable:
 2. BBB Priority: Excellent Council:
-

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: ££660K including £313K fraud partnership costs.
 5. Source of funding: General fund, Admin subsidy, Admin penalties, Legal cost recoveries, Provision of sold services to academies
-

Staff

1. Number of staff (current and additional): 6.5 FTE including 0.5 FTE risk officer
 2. If from existing staff resources, number of staff hours: 1,030 audit days were spent on the audit plan, fraud and investigations but excluding RB Greenwich investigators time.
-

Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Not Applicable:
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 150 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: Not Applicable

3. COMMENTARY

- 3.1 The annual report is for Member information and is also intended to assist the Council in meeting the financial management and internal control 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.
- 3.2 Internal Audit's main objective remains as ' -assisting management and Members in minimising risks, maintaining high standards and continuously improving service delivery through independent appraisal, review and advice.' We have carried this out in 2013/14 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 web training sessions for** officers in financial regulations, contract procedure rules and fraud awareness
- 3.3 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.
- 3.4 The purpose of the 2013/14 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 Director of Finance 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
 - Provide adequate assurances on our work so that our external auditors can place reliance on our work thus saving on audit fees.

- 3.5 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 2013/14 plan, this has been subject to adjustment for unexpected levels of unplanned activity including fraud and investigative work where we have spent some 345 days. To redress some of the shortfall we bought in to the Internal Audit service of the London Borough of Wandsworth for the first time to carry out 6 audits from the audit plan totalling about 70 days. Our assessment is that quality and delivery of the service has been satisfactory.
- 3.6 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.
- 3.7 Internal Audit has 6.5 FTEs staff in post (including a 0.5 FTE officer solely responsible for risk) who are suitably experienced and qualified. In reality 5.5 FTEs auditors work on the plan or carry out investigations at any given time with about 0.5 FTE of the Head of Audit's time dedicated to servicing this committee and monitoring the fraud partnership.
- 3.8 Internal Audit have completed the high risk audit reviews scheduled in 2013/14 and received positive feedback from the client departments with an overall average of over 4 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 over 90% of the plan against the annual performance indicator requirement of 90%. There remains 5 audits where work is in progress. The completion rate has been achieved despite the time spent on fraud and investigations of 345 days. Audits are completed within budgeted time unless major control issues are identified requiring additional testing. The summary of progress and other audit activity is shown in Appendix A.

3.9 Audit activity

Please refer to Appendix A

Audit Activity key points in 2013/14

Planned audits- please refer to appendix A for audits carried out in 2013/14. 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 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. This was completed for the 2013-14 plan.

Sold Services – the partnership with the Royal Borough of Greenwich for benefit fraud has continued to be highly effective both prosecuting and acting as a deterrent to public sector fraud. This is expanded upon in the Annual Fraud report elsewhere on this agenda. In 2013-14 we also carried out a number of responsible officer roles at academies that had generated about £24k with 14 academies using our services. This has resulted in a surplus of

about £8K.

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. This is continually reviewed through the Risk Management Group and reported to Audit Sub Committee.

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 that has been approved by full council, undertaken web based training and awareness courses in financial regulations and contract procedure rules for over 600 officers.

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, continued use of self - assessment for schools.

Fraud and Investigations- we have provided substantial input into investigations into fraud and malpractice totalling 345 days.

Internal Audit has provided 1,030 audit days in 2013-14 including fraud and sold services (925 days for 2012-13) to the departments through reviews, investigations and financial support and advice. As well as mainstream audit activity, Internal Audit has spent time 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 raising concerns procedure, 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.

	2012-13	2013-14
Departments	Audit days	Audit days
Corporate Services	293	399
ECHS –Adults, Children & Public Health Services	331	303
Environment & Community	46	72
Fraud Work	128	153
Academies- sold services	77	103
RB Greenwich –sold services	50	0
	925	1,030

It should be noted that the departmental figures include 192 days spent on five major investigations against a total time of 345 days on fraud and investigations for 2013/14..

- 3.10 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 Public Sector Internal Audit Standards 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. Following a decision by Members, all audit reports suitably redacted, will be publicised on the internet unless exemption is sought.
- 3.11 Internal Audit have reported all priority one recommendations i.e. those where there are major weaknesses resulting in losses and therefore require urgent management attention. These reports are contained in the respective progress reports submitted to each cycle of this committee. 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 number of priority ones and the nature of any fundamental areas of weakness will determine the overall opinion given.
- 3.12 Over 2013/14 we issued 40 priority one recommendations –however 28 were in relation to three investigations that was reported in the November 2013 cycle of this committee. Outside of these investigations there were 12 priority one recommendations raised in respect of the Libraries investigation (2 of which 1 has been implemented), the Mobile phone investigation (1), Mental Health(1 that has been implemented), and Building Maintenance (1), Looked After Children (2), TCES audit (3), Main Accounting and Budgetary Control (1) and Creditors (1) . The current priority one list is attached to the Progress Report elsewhere on this agenda. There are two priority one recommendations brought forward from 2012/13 that are still considered to be outstanding –Emergency Accommodation & Rent Accounts specifically rent arrears that will be followed up in 2014/15 and Behaviour Services in respect of an unpaid an outstanding debt. See Appendix B for a summary of Priority 1 activity.
- 3.13 As in the previous year we have adopted a similar approach issuing assurances for our audits. Following an Internal Audit and after 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.

- 3.14 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 and the audit report has been presented to the Audit Sub Committee e.g. Learning Disabilities, Insurance and Libraries. Responsible officers are called to account for the reasons for the weaknesses and give Members assurance of their management actions to implement audit recommendations. These actions are then followed up and reported within a six month timescale where it is reasonable to do so. It has been agreed that responsible officers will be required to attend the meetings where satisfactory action has not been taken.
- 3.15 Over the past year there have been five major investigations all reported to this committee- Learning Disabilities; Insurance; Misuse of the internet ; Libraries and a case of Financial abuse of a client. These investigations, other fraud work such National Fraud Initiative data matching and monitoring of the Greenwich partnership has taken a considerable amount of time some 345 days in 2013/14. These investigations had highlighted the need to promote officer awareness of financial regulations and the contract procedure rules. Over 600 officers have so far undertaken the web based training package.
- 3.16 The summary of audit work undertaken resulted in 86 reports including schools. Of the completed audits 30 were classified with substantial assurance, 9 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 230 improvement recommendations have been made in the year comprising of 40 priority ones, 166 priority twos and 24 priority threes. 21 recommendations are in respect of schools.

3.17 Schools

- 3.18 Our volume of schools audits is influenced by our reduced staffing resources and the rate of schools converting to academy status. As a result the audit programme has been restricted to 17 schools, including one secondary school, two primary schools, follow up work at 3 schools and 11 closure audits of those schools converting to academy status.
- 3.19 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.
- 3.20 The schedule in paragraph 3.30 gives a breakdown of type of recommendations made in respect of our school audits. The main recommendations for schools relate to primary accounting records which include non raising of orders, lack of evidence of quotes, recommendations in respect of banking arrangements, financial delegated responsibility limits, income including school meals, petty cash issues, outcomes from payroll testing, contracts register, cash flows and business continuity plans were also made.
- 3.21 Following the publication of a Department of Education Investigation report in May 2013 which described that the Accounting Officer at an Academy outside of Bromley was using Education Funding Agency monies for inappropriate purposes, management requested that Internal Audit undertake a review of purchase card transaction spend to ensure London Borough of Bromley funds are spent appropriately and in compliance with the Schools' Financial Regulations. This audit provided assurance to management in that no systematic purchase card spending abuse was identified and Internal Audit extended the audit testing in purchase card spending as part of the on-going School's programme.
- 3.22 Internal Audit has proactively sold services to Academies and during 2013/14 have been appointed to the role of Internal Auditor at a total of 14 schools (6 secondary and 8 primary

academies). This generates income of about £24K and a surplus of £7K for 2013/14 before recharges.

3.23 Annual Governance Statement

- 3.24 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 main issues in 2012/13 related to breach of financial regulations and contract procedure rules; lack of supporting documents; no or outdated procedures; supervisory/monitoring issues; and primary accounting records. The main Internal Audit issues in 2013/14 related to supervisory/monitoring issues; no/obsolete procedures; and lack of supporting documents. 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. It should be noted that recommendations in respect of breach of financial regulations and contract procedure rules has decreased from 11% to 3% and probably reflects increased officer awareness of these regulations following the web based training undertaken by over 600 officers in 2013/14.
- 3.25 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 three months. In addition at the request of this committee, the Risk Management Group carried out an exercise to put in the financial impacts on the risks identified where possible. The outcome of this exercise has been reported to this Committee in March 2014.
- 3.26 In conclusion, the Head of Audit's overall opinion on the control environment based on the internal testing and reviews undertaken is that there is 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 in the areas of supervision/monitoring, document control and updated procedures but significantly a better understanding in officers' understanding/awareness of financial regulations and contract procedure rules. This has been due the mandatory web based training of over 600 officers involved in the finances of this authority. The Head of Audit can confirm that adequate 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.
- 3.27. In summary the process (as adopted in the previous year) 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 (Annual Governance Statement Checklist).
- Outcomes from the formal risk assessment and evaluation (risk register)
- Relevant self-assessments of key service areas within the directorate
- Internal audit reports and results from follow ups regarding implementation of recommendations
- Outcomes from reviews of services by other bodies including Inspectorates, external auditors etc.

3.28 The Annual Governance Statement is attached as Appendix C.

3.29 Classification of Recommendations

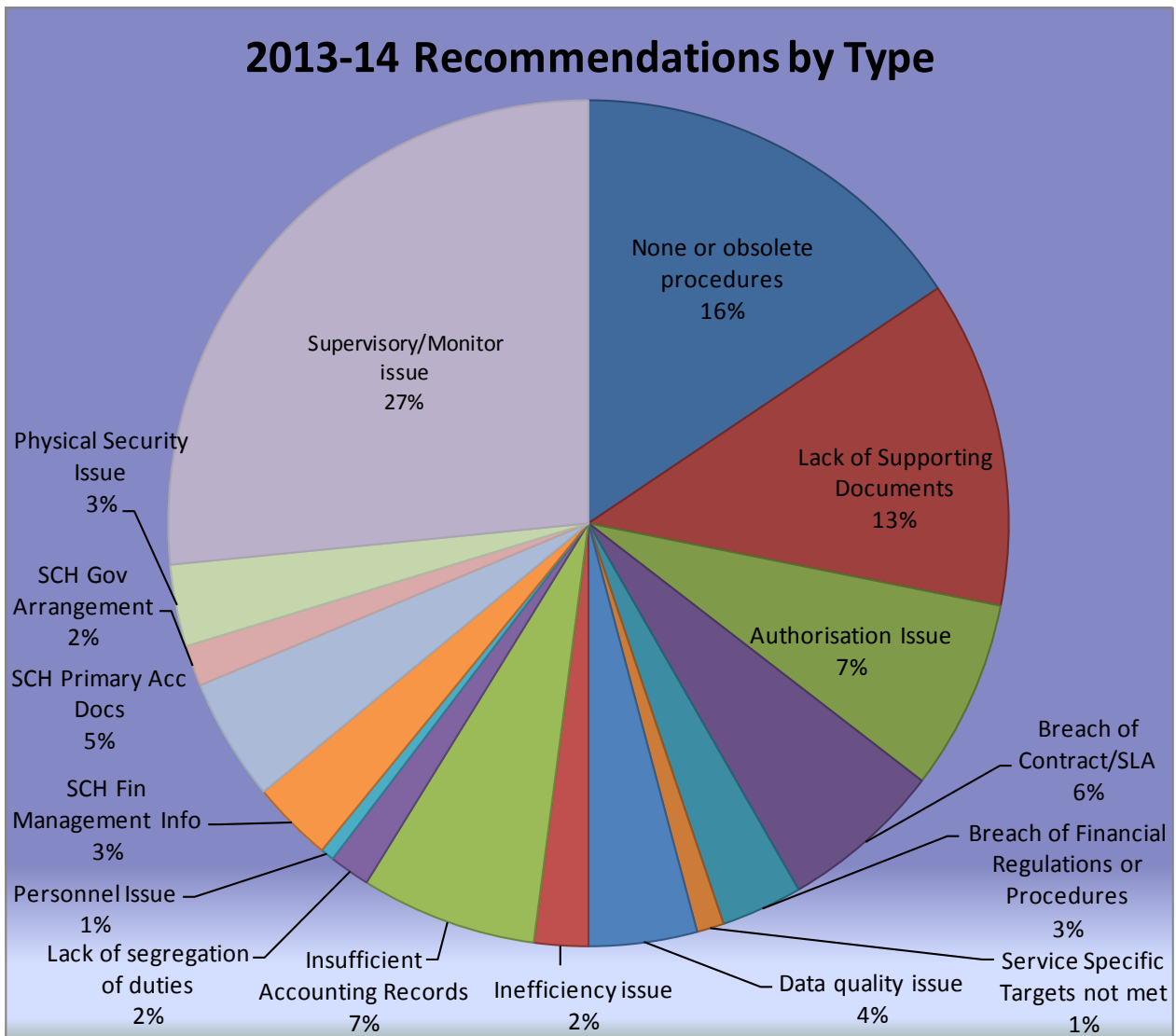
3.30 Typical control issues highlighted in the audit reports (as in previous years) fall under the following broad categories;

- 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.

3.31 Recommendations by Category

Recommendation Category	% of all recommendations		
	2011-12	2012-13	2013-14
Access Control Issue	2%	2%	0%
Authorisation Issue	3%	1%	7%
Breach of Contract/SLA	2%	4%	6%
Breach of Financial Regulations or Procedures	7%	11%	3%
Data quality issue	5%	9%	4%
Inefficiency issue	5%	5%	2%
Insufficient Accounting Records	10%	9%	7%
Insufficient Resources Issue	1%	1%	0%
Lack of segregation of duties	1%	0%	2%
Lack of Supporting Documents	10%	10%	12%
None or obsolete procedures	4%	10%	16%
Personnel Issue	2%	1%	1%
Physical Security Issue	3%	2%	3%
Supervisory/Monitor issue	20%	12%	27%
Service Specific Targets not met	2%	2%	1%
SCH Asset Control	3%	3%	1%
SCH Fin Management Info	2%	1%	4%
SCH Governance Arrangements	3%	3%	1%
SCH Primary Acc Docs	16%	14%	3%

3.32 The above table is reflected as a pie chart below.



3.33 Insufficient accounting records –recommendations have been raised in a number of instances on a failure to raise orders that can result in commitments not being shown on budgets.

3.34 Supervisory/monitoring –the increase in the number of recommendations made for this category probably correlates to a reduction in staffing resources where there are fewer officers in post to fulfil these tasks.

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

Non-Applicable Sections:	Policy & Personnel
Background Documents: (Access via Contact Officer)	None

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Appendix A Audit Activity Ratings									
Dept	Audit	Year	Overall Opinion	P1	P2	P3	P1 re-rec	P2 re-rec	P3 re-rec
Chief Executives	Cash & Banking-Cashiers Audit	2013-14	limited assurance			7			
Chief Executives	Council Tax Audit	2012-13	substantial assurance			4		2	
Chief Executives	Council Tax Audit	2013-14	In Progress						
Chief Executives	Housing Benefit Audit	2013-14	Draft report						
Chief Executives	Debtors-Income Audit	2013-14	substantial assurance					2	
Chief Executives	NDR Audit	2013-14	substantial assurance			1			
Chief Executives	Payroll-Expenses Audit	2012-13	substantial assurance			3	1		
Chief Executives	Payroll-Expenses Audit	2013-14	substantial assurance			2	1		
Chief Executives	Gifts and Hospitality and Declaration of Interests Audit	2013-14	limited assurance			5	2		
Chief Executives	Creditors-Cheque Control Audit	2012-13	substantial assurance			3		1	
Chief Executives	Creditors-Cheque Control Audit	2013-14	substantial assurance	1	4	1			
Chief Executives	Property Management Audit	2012-13	limited assurance			3		3	
Chief Executives	Building Maintenance and Capital Projects Audit	2012-13 & 2013/14	limited assurance	1	10				
Chief Executives	Investigation Blue Circle Audit	2012-13	Completed - Opinion not applicable			4	1		
Chief Executives	Treasury Management Audit	2013-14	Draft Report						
Chief Executives	Main A-C System Audit	2013-14	Final Report	1	1	1			
Chief Executives	Revenue Budget Control Audit	2012-13	substantial assurance			2			
Chief Executives	Insurance Investigation	2013-14	N/a	11	2				
Chief Executives	Election Expenses Audit - Follow-Up Audit	2013-14	Completed - Opinion not applicable					3	2
Chief Executives	Essential Car Users Audit	2013-14	Draft report for discussion						
Chief Executives	Corporate Governance Audit	2013-14	Completed - Opinion not applicable						
Chief Executives	Registrars Audit	2013-14	substantial assurance			2	1		
Chief Executives	Social Fund Audit [Procedures] Audit	2013-14	substantial assurance			3			
Chief Executives	Social Fund Audit [Transactions] Audit	2013-14	substantial assurance			2	1		
Dept	Audit	Year	Overall Opinion	P1	P2	P3	P1 re-rec	P2 re-rec	P3 re-rec

		Appendix A Audit Activity Ratings												
Dept	Audit	Year	Overall Opinion	P1	P2	P3	P1 re-rec	P2 re-rec	P3 re-rec					
Chief Executives	Staff Car Parking Audit	2013-14	substantial assurance			5								
Chief Executives	IT Procurement Audit	2013-14	In Progress											
Chief Executives	Mobile Phone Investigation	2013-14	Completed - Opinion not applicable	1	4	1								
Chief Executives	Data Security Audit	2013-14	In Progress											
Chief Executives	Modern.gov Follow-up Audit	2013-14	Completed - Opinion not applicable											
Chief Executives	Pensions Audit	2013-14	substantial assurance			3								
Chief Executives	Bribery & Corruption Audit	2012-13	Completed - Opinion not applicable		1	1								
Chief Executives	HBens-CTBens-Fraud Audit	2012-13	substantial assurance		1	2								
Chief Executives	Treasury Management Audit	2012-13	substantial assurance			2								
Chief Executives	Procurement Audit	2013-14	In Progress											
Education Health & Care	Troubled Families Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	Public Health Transition Audit	2012-13	substantial assurance			5								
Education Health & Care	Review of Purchasing card payments in Schools Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	EDC Closure Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	TCES Audit	2013-14	limited assurance	3	7									
Education Health & Care	Children's Safeguarding and Quality Assurance	2012-13	Completed - Opinion not applicable											
Education Health & Care	Phoenix Centre Audit	2013-14	substantial assurance			5								
Education Health & Care	Expenditure Processing in Public Health Audit	2013-14	substantial assurance			7								
Education Health & Care	Appointeeship & Deputyship and Contracts Burials	2013-14	substantial assurance		4	2								
Education Health & Care	Mental Health Services Audit follow-up Audit	2013-14	follow-up											
Education Health & Care	Looked After Children Audit	2013-14	limited assurance	2	1	1								
Education Health & Care	Leaving Care Audit	2013-14	In Progress											
Education Health & Care	Housing Initiatives Audit	2012-13	substantial assurance			2								
Education Health & Care	Learning Disabilities Audit	2012-13	Nil assurance	12	4									
Dept	Audit	Year	Overall Opinion	P1	P2	P3	P1 re-rec	P2 re-rec	P3 re-rec					
Education Health & Care	Learning Disabilities Follow-up Audit	2013-14	Draft Report											

		Appendix A Audit Activity Ratings												
Dept	Audit	Year	Overall Opinion	P1	P2	P3	P1 re-rec	P2 re-rec	P3 re-rec					
Education Health & Care	Learning Disabilities Section 151 commissioned by	2013-14	Completed - Opinion not applicable											
Education Health & Care	SEN Transport Follow-up Audit	2013-14	N/a											
Education Health & Care	Early Years Audit	2013-14	substantial assurance			2								
Education Health & Care	Contracts and Commissioning [Public Health] Audit	2013-14	substantial assurance			1								
Education Health & Care	Adult Education College Audit	2012-13	substantial assurance			2								
Education Health & Care	Adult Education College Audit	2013-14	substantial assurance			1								
Education Health & Care	Coroner & Mortuary Service Audit	2013-14	limited assurance			2								
Education Health & Care	Housing Imprest Accounts Investigation	2013-14	Completed - Opinion not applicable											
Education Health & Care	Alexandra Infant School Pre-Academy Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	Alexandra Junior School Pre-Academy Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	Blenheim Primary School Follow-up Audit	2012-13	Completed - Opinion not applicable											
Education Health & Care	Farnborough Primary School Pre-Academy Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	Gray's Farm Primary Pre-Academy Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	Highfield Infants School Pre-Academy Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	Malcolm Primary School Pre-Academy Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	Manor Oak Primary Pre-Academy Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	Parish CE Primary Pre-academy Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	Perry Hall Primary School Pre-Academy Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	Princes Plain Primary Audit	2013-14	substantial assurance			4								
Education Health & Care	Raglan Primary FOUNDATION Pre-Academy Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	Royston Primary School Pre-Academy Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	St Mary Cray Primary Follow-up Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	Unicorn Primary School Follow-up Audit	2013-14	Completed - Opinion not applicable											
Education Health & Care	St Olave's and St Saviour's Audit	2012-13	limited assurance			9	1							
Education Health & Care	Oaklands Primary School Audit	2012-13	substantial assurance			6	1							

		Appendix A Audit Activity Ratings							
Education Health & Care	Mental Health Audit	2012-13 & 2013-14	limited assurance	1	1				
Education Health & Care	ACS Care Management Investigation	2013-14	Opinion not applicable	5	2				
Education Health & Care	Libraries Investigation	2013-14	Completed - Opinion not applicable	2	1		2		
Environment & Community Services	Waste management Audit	2012-13	substantial assurance		1				
Environment & Community Services	Parking PCN Audit	2012-13	substantial assurance		2				
Environment & Community Services	Car Parking - Income [Multi-storey & off-street] Audit	2013-14	Draft Report						
Environment & Community Services	Car Parking - Income [Multi-storey & off-street] Audit	2012-13	substantial assurance		1		1	1	
Environment & Community Services	Parking PCN Audit	2013-14	Draft Report				1		
Environment & Community Services	Street Lighting -Invest to Save Audit	2013-14	substantial assurance		3				
Environment & Community Services	Carbon Reduction Emissions Audit	2013-14	substantial assurance			3			
Environment & Community Services	Highways Maintenance Audit	2012-13	substantial assurance		4				
Environment & Community Services	Parks and Green Spaces Audit follow up	2013-14	Completed - Opinion not applicable						
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Appendix B-Priority One Activity

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
ECHS/068/01/2009 B/fwd	Emergency Accommodation & Rent Accounts b/fwd	Nil Assurance	1	Rent arrears	In progress	Head of Revenues & Benefits/ Exchequer Manager	One outstanding recommendation on rent arrears has been assessed as still outstanding and will be followed up in 2014-15. Information on balance breakdown has been given to Chairman and Vice Chairman of Audit Sub Committee	High
Env/006/01/2011	Parks & Greenspaces 2011-12 b/fwd	Nil Assurance	2o/s	Part 2- Investigation matter	Implemented	Director Env	Reported to March 2014 cycle of Audit Sub Committee as implemented	n/a
ECHS/P47/01/2012	Primary School b/fwd	Limited Assurance	2	Audit testing of payments and petty cash found weaknesses in the system. The school is now an academy and testing at the closure audit indicated that these control weaknesses had been rectified.	Implemented	Head teacher	Reported to March 2014 cycle of Audit Sub Committee as implemented	n/a
ECHS/024/01/2012	Behaviour Services b/fwd	N/A	4o/s	Part 2	In progress	Assistant Director ECH	Expanded in Part 2-As reported to this committee in March 2014, 1 priority ones is still considered to be outstanding.	High
ECHS/026/01/2012	Direct Payments b/fwd	Limited Assurance	1	Lack of monitoring information for 13 cases remained outstanding at March 2013. During 2013/14 these cases were resolved.	Implemented	Exchequer Manager & ECHS	Reported to November 2013 cycle of Audit Sub Committee as implemented	n/a
CEX-Fin/018/01/2013	Insurance	N/A	11	Part 2- Investigation matter reported to Audit Sub Committee in November 2013 and March 2014. To be followed up in 2014/15	In progress	Director Of Finance	Reported to Audit Sub Committee in November 2013.	High
ECHS/023/01/2012	Learning Disabilities	Nil Assurance	12	Part 2-Followed up in Qtr 4 of 2013/14 and Qtr 1 of 2014/15. See Part 2 Fraud and Investigation report for progress. Substantial progress made towards implementation. 2P1s o/s and 3P1s partially implemented	In progress	Executive Director ECH	Reported to Audit Sub Committee in November 2013.	High
ECHS/004/01/2012	ACS Care Manager Asst	N/A	5	Part 2- 3 still o/s as at March 2014. Since March 2014 these three have been considered to have been implemented. See Part 2 Fraud and Investigation report for details.	Implemented	Asstistant Director-Interim Adult social Care	Reported to Audit Sub Committee in November 2013. Further update given in March 2014 to Audit Sub Committee. Latest update is on this agenda-Part 2 Fraud and Investigation report.	n/a
ENV/001/01/2013	Libraries Staff Investigation	Limited Assurance	2	Part 2. 1o/s after follow up.	In progress	Libraries Management	Reported to Audit Sub Committee in November 2013. Further update given in March 2014 to Audit Sub Committee. Latest update is on this agenda-Part 2 Fraud and Investigation report.	High
CEX/062/01/2013	Mobile Phone Investigation	Limited Assurance	1	Part 2	In progress	Director of HR	Reported to Audit Sub Committee in November 2013. Further update given in March 2014 to Audit Sub Committee. Latest update is on this agenda-Part 2 Fraud and Investigation report.	High

Appendix B-Priority One Activity

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
ECBS/024/01/2012	Mental Health Audit	Limited Assurance	1	It was believed that LB Bromley were were incorrectly paying out for services in respect of a client who was deemed not to be Section 117 and therefore liable to contribute to their care. A follow up established that this was incorrect and that the client was a S.117 and therefore did not have to contribute. The recommendation has therefore been implemented as requiring no further action	Implemented	Strategic Commissioner for Mental Health & Substance Misuse and Assistant Director, Commissioning.	Reported to Audit Sub Committee in November 2013. Further update given in March 2014 to Audit Sub Committee.	n/a
CEX-Fin/012/01/2012	Building Maintenance	Limited Assurance	1	The department must comply with the requirement 1.2 and 8.1.3 of the Contract Procedure Rules. <ul style="list-style-type: none"> • "Officers shall not sub divide work which could reasonably be treated as a single contract." • "The total estimated value of orders for a given type of goods, services or works should where ever practicable be amalgamated for the purpose of determining procurement procedures." They should review the practices and procedures to identify cumulative spend with individual suppliers. Where spend exceeds limits indicated in Contract Procedure Rules quotes or tenders should be sought.	In progress	Head of Operational Property	Reported to Audit Sub Committee in November 2013. Further update given in March 2014 to Audit Sub Committee.	High
CEX-Fin/009/01/2013	Creditors	Limited Assurance in the area of credit notes	1	5/27 payments sampled (excludes Confirm payments from the sample of 35) had orders raised on the same day as or after the invoice date. A 'retrospective purchase order' report was run in May 2013. This showed 4,788 retrospective purchase orders had been made in the period 30/01/13 to 30/05/13, with 68% of these attributed to 30 officers. However further examination of this report identified duplicated purchase order lines therefore producing inaccurate results with the actual total of 3,290 retrospective order being raised during the period.	In progress	Exchequer Manager	Agreed by management and corrective action in progress. Expanded up on in this agenda under the progress report	High
ECBS/005/01/2013	TCES	Limited Assurance	3	Verification of invoices Stock Reconciliation/Stock Charges Contract Monitoring	In Progress	Head of Assessment & Care Management & Commissioning.	Agreed by management. Expanded upon in this agenda under the progress report.	High
CEX/016/01/2013	Main Accounting System & Budgetary Control	Substantial Assurance	1	A significant numbers of budget managers are failing to review their monthly budgets on FBM within the timescales specified within the FBM User Guide in a timely manner	In Progress	Budget Holders	Agreed by management. Expanded upon in this agenda under the progress report.	High
ECBS/015/01/2013	Looked After Children	Limited Assurance	2	Payment Authorisation including an overpayment to a foster parent and timely completion of assessments and reviews.	In Progress	Head of Service C&R	Agreed by management. Expanded upon in this agenda under the progress report.	High

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

Bromley has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.bromley.gov.uk or can be obtained from Chief Executive's, Bromley Civic Centre, Stockwell Close, Bromley BR1 3UH. This statement explains how Bromley has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its 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 services and value for money.

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 and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromley for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

The following summarises the key elements of the systems and processes that comprise Bromley's governance arrangements based upon the six core principles of good governance:

1) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area:

Bromley is a member-led, value for money Council, delivering services through whoever is best placed to provide quality and value for money to our residents. We support residents to manage their lives and strive for excellence in their eyes.

In setting our goals, our vision of Building a Better Bromley (BBB) shapes all the work we do, and 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

ANNUAL GOVERNANCE STATEMENT

deliver and is shared across the Council in our specific Portfolio messages and our departmental, divisional and team plans.

During the year Members completed a review of our Building a Better Bromley priorities. This included developing an overarching statement setting out the high level direction of the Council for the next three to five years. In addition to our existing priorities - a Quality Environment, Vibrant Thriving Town Centres, Children and Young People, Supporting Independence, a Safe Bromley and an Excellent Council - BBB now includes two new objectives - a Healthy Bromley and Regeneration. A Healthy Bromley reflects our public health responsibilities under the government's health reforms. It also reflects our more general work with health colleagues and other community partners across the borough to improve health generally through the Health and Wellbeing Board. The Board brings together Bromley Councillors, GP's, Public Health, the Clinical Commissioning Group and the Voluntary Sector. The Regeneration priority covers the work the Council needs to do to develop the borough over the next 15 years as set out in our Local Plan.

Our Corporate Operating Principles which act as an operational model for the Council set out our approach to creating a flexible, responsive organisation that can embrace new ways of working with partners and staff to maintain and improve services to our community. As part of this we are committed to providing a working environment in which staff can contribute to the success of the Council. Our staff commitment sets out the responsibility we all share in making this happen.

Our Portfolio Plans set out what the portfolio is aiming to deliver over the coming 3 years, what we are doing towards these aims in the current year and what our performance targets are using a range of national and local indicators. Overseeing the successful delivery of each plan is the joint responsibility of the Portfolio Holder and the members of the appropriate Policy Development and Scrutiny Committee (PDS). The Portfolios are aligned behind the priorities identified in Building a Better Bromley; Care Services, Education, Environment, Public Protection and Safety, Renewal and Recreation, Resources.

The Council's approach to becoming a fully commissioning authority is not a new development, as Bromley already has a successful history of externalising services to both the private and third sector, but one we are having to give greater priority to over the next year or two. This provides us with the flexibility to choose the delivery model best placed to provide high quality services, based on local priorities and value for money principles, within a balanced budget. With substantial additional savings to be made over the next 4 years and uncertainty about government funding after 2015-16 the financial situation continues to drive the future direction and work of the Council.

To support this, we will:

- Regularly review why and how we provide services
- Identify who is best placed to deliver services by testing the benefits of:
 - Having our services delivered by others
 - Commissioning in partnership with others
 - Delivering services in partnership with others
 - Delivering services on behalf of others
- Encourage and empower the voluntary sector, community groups and individuals to take more control of how their local area and its resources are managed
- Procure as efficiently as possible, seeking opportunities to share contracts with other local authorities and partners

In order to secure further financial savings 5 corporate workstreams have been developed to drive

ANNUAL GOVERNANCE STATEMENT

forward this work:

- Baseline Review ‘What’ services we deliver
- ‘How’ we deliver our services
- Sustainable income opportunities / economic growth
- Significant financial variables
- Organisational implications

Governance is provided by Chief Officers to monitor progress, challenge and make recommendations to the Executive. Where appropriate, proposals relating to individual services are submitted to the respective PDS Committees for scrutiny and approval.

The council’s operating structure was restructured at the beginning of 2013 into three departments reflecting our focus on ‘People and Place’ services – Education, Care and Health Services, and Environmental and Community Services, with Chief Executive’s department comprising in the main support services. This structure brings services together to better reflect a commissioning authority organisation structure.

2) Members and officers working together to achieve a common purpose with clearly defined functions and roles:

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. This is supplemented by a Member/Officer protocol which governs the relationship between them.

Bromley continues to operate the ‘leader and cabinet’ model whereby 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.

The Council’s decision making structure is divided between executive and non-executive matters. Executive duties are carried out by an Executive body of six Councillors with specific Portfolio responsibilities, chaired by the Leader of the Council. Non-executive duties are performed by the Development Control Committee and the General Purposes Committee. Six Policy Development and Scrutiny (PDS) Committees discharge the overview and scrutiny functions of the Local Government Act 2000.

The Director of Corporate Services (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 Director of Finance (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. Bromley’s financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The Director of Finance performs the role of Chief Financial Officer.

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

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operational management.

Internal Audit is responsible for conducting audits, using a risk based approach, to highlight any weaknesses throughout the Council. Bromley's assurance arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Head of Internal Audit (2010)*.

3) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour:

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 2011 removed or changed a number of existing arrangements relating to the standards regime the Act still required authorities to promote and maintain high standards of conduct. It is mandatory that each local authority adopts a Code of Conduct dealing with the conduct that is expected of Councillors and co-opted members when acting in that capacity.

Following a review by the Constitution Improvement Working Group, full Council adopted a new Code of Conduct with effect from 1 July 2012 based on the model code produced by the Department of Communities and Local Government. The Code retains (i) the need to register all interests presently registered, (ii) to register any changes within 28 days and (iii) to register gifts and hospitality above the existing £25 threshold.

The Council also agreed to retain a Standards Committee with new terms of reference. Whilst the Act removed the statutory basis for independent members it did replace them with a new role - the Independent Person. They must be consulted by an authority before it makes a decision on an allegation of misconduct by a Councillor that it has decided to investigate or before it decides on action to be taken in respect of that Councillor. Two independent members of the 'old' Standards Committee have been appointed as Independent Persons under the Act.

The induction events organised for new councillors following the May 2014 local elections includes a session on standards with a surgery session following that, providing support to Members on completing their Register of Interest forms, and with additional guidance being prepared to clarify what is required.

The Council's confidential reporting code 'Raising Concerns' sets out how employees and contractors working for the Council on council premises can report their major concerns about any aspect of the Council's work including concerns about Members of the Council. This is designed to enable people to raise concerns without fear of victimisation, subsequent discrimination or disadvantage. The code is widely publicised via posters, internal newsletters, the intranet and on the Council's website.

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, adult social care (including a guide for people with learning difficulties) and complaints about schools. Leaflets and forms are available from enquiry points and libraries. Information is also available on the Council's website. The Chief Executive and Director of Corporate Services monitor how complaints are handled within departments.

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4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:

The Director of Corporate Services (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 Director of Finance (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 scrutiny function provided by the six Policy Development and Scrutiny (PDS) Committees continues to provide constructive challenge leading to better and more robust decisions.

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, 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.

The Audit Sub-Committee is responsible for developing and reviewing all aspects of the Council's arrangements for audit including fraud and risk. The Committee is independent of the Executive and scrutiny functions.

We continue to operate a very successful Fraud Partnership with the London Borough of Greenwich building on our Anti-Fraud and Corruption Strategy. Outcomes are reported to Audit Sub-Committee.

The Bromley Borough Resilience Forum, a statutory forum currently chaired by the Council, meets quarterly to facilitate co-operation and information sharing at the borough level between key stakeholders in relation to emergency preparedness for major events and incidents. The Forum reports to the Safer Bromley Partnership Strategic Group. Through the Forum and pan-London structures the Partnership regularly has the opportunity to participate in training and exercising events to develop and maintain local multi-agency emergency arrangements.

Within the Council we continue to review and maintain our arrangements to respond to and recover from emergencies affecting the Borough. We also review and maintain our business continuity arrangements to ensure that critical activities and services continue to operate in the event of disruptive events and emergencies. Our procurement policy requires business continuity plans to be part of any tendering process.

5) Developing the capacity and capability of Members and Officers to be effective:

Corporate training provision is reviewed each year to ensure that the learning and development opportunities on offer reflect the key priorities of the organisation; supporting staff to develop a good mix of skills and knowledge so that they are able to perform effectively in their current job and are able to tackle the many changes facing local government.

Officer training needs are identified as part of the annual Performance Appraisal and Development Scheme and there is a comprehensive training programme for all staff. In parallel a Managers' Toolkit

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site is maintained on the intranet to provide a depository of policies, procedures, guidance and tools enabling all managers across the Council to work more effectively and efficiently.

There are three main programmes; Training for All (including Customer Service, Management and Leadership, Personal Effectiveness and Wellbeing), Children's Safeguarding and Social Care Training, and Adult Care Services Training . To compliment this face-to-face training many of the topics are now available via the web based Bromley Learning Hub which allows users to develop their skills on-line at a time and place that suits them.

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. During the year the Director of Finance organised regular Financial Seminars to keep Members informed of the general financial situation affecting the Council and the changes in local government finance and health provision. Following the May 2014 elections a full programme of induction events has been organised for new councillors.

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

Officers also have access to external workshops and seminars via our membership of organisations like CIPFA.

6) Engaging with local people and other stakeholders to ensure robust public accountability

We continue to review how we can improve our channels of communication with all sections of the community and other stakeholders. Increasingly Bromley is using social media sites like Twitter and Facebook to provide information and links to upcoming events. Besides the main Council website Bromley MyLife is the adult social care website. It provides information and advice should someone need help due to illness, age or disability, enabling them to keep their independence.

Council meetings are held in public and agendas and report packs are made available in advance on the council website. Most meetings start at 7pm and there are some daytime meetings. There is a facility to set up daily email alerts on key words or topics.

The Council held five public meetings in September and October 2013 as part of the 2014/15 budget consultation under the title 'Building a Better Bromley'. This was supplemented by links to the council's budget, financial position and strategy on the main website. An additional meeting was held with the Bromley Youth Council to enable young people to have a say in how local services are organised and connecting them with local democracy. Consultation papers were also sent to local business representatives for their views and comments. Prior to finalising the 'Schools budget' the Education Portfolio Holder consulted Head Teachers, Governors and the Schools Forum.

During the year the Council continued to consult on Bromley's Local Plan which will guide development in the Borough for the next 15-20 years. In addition to a press release and advertising in a weekly freesheet tabloid, articles and links to the consultation were included in Update, our newsletter to local community groups, the e-bulletin to local businesses, the staff intranet, and the Bromley website. Emails and letters were also sent to around 1000 contacts on the planning database which includes developers, agents, landowners, as well as residents, and other parties. The responses received were reported to the Development Control Committee.

Departments also use surveys to ensure that services are being delivered efficiently and effectively.

The Council operates a Petition Scheme whereby any person who lives works or studies in the borough of

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Bromley can submit a 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.

Given the increasing numbers of Freedom of Information requests, an online form has been introduced to channel requests to the right departments so that enquiries can be dealt with as quickly and efficiently as possible. Previous requests and answers are now published on the Council's website.

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

The Borough Officers' group 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 Economic Partnership and Safer Bromley Partnership Strategic Group) hold open meetings and agenda papers and minutes are published on the Council website. The meetings receive reports from other key strategic partnerships and the main partnerships themselves. Terms of reference and governance arrangements are in place. The partnerships are subject to scrutiny by the relevant PDS Committees.

Following a review of the partnership arrangements that were supported either financially or with other resources by the Education, Care and Health Services department, a new Partnership Framework was implemented in September 2013. The purpose of the review was to ensure that the partnership arrangements in place across the Borough for education and care services are fit for purpose, have an outcome focus, provide best value for money, remove duplication, and strengthen and maximise the voice of service users.

As a result two of the previous thematic partnerships; Bromley Children and Young People, and Health, Social Care and Housing, have been replaced with the Children's Services Stakeholder Conference and the Adult Services Stakeholder Conference which will meet twice a year to actively involve partner agencies and service users in shaping business planning and priorities for the future. Both bodies will report to Care Services PDS and/or the Health and Wellbeing Board. Agenda papers and presentations are published on the Bromley Partnerships website.

In addition an online survey of some 1,400 adult carers in Bromley was undertaken between September and October 2013 as part of the new virtual service user panel which brings together service users, families and carers, and existing partnership group members, to gather views and consult with people of specific services or issues for services, and enable users to shape service development. The results from the survey were used to inform the first Adult Services Stakeholder Conference held in November 2013.

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 Audit's annual report, the Policy Development and Scrutiny annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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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 continue to 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 (Directors) are responsible for ensuring that Members are advised of the financial implications of all proposals liaising as necessary with the Director of Finance. 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 key role in contributing to policy development and scrutinising the decisions of the Executive and individual Portfolio Holders. Although they have no decision making powers, they advise Portfolio Holders, the Executive and full Council on policies, budgets and service delivery. PDS Committees can commission groups of Councillors to review an issue or policy so assisting a Portfolio Holder or the Executive to improve a service or local function affecting local people.

Full Council has accepted recommendations from the Constitution Improvement Working Group to allow more routine decisions to be made without formal scrutiny where the PDS Committees and Portfolio Holders are in agreement, subject to the proposed decision being emailed to all Members in advance. Any Member may then request that a matter be referred to the relevant PDS Committee before a decision is taken.

PDS Committees monitor the performance of services and functions within their remit, assessing performance against key performance indicators and policy objectives. Concerns are reported to a Portfolio Holder who can then, if necessary, be called to a PDS Committee meeting to account for the performance of his or her Portfolio.

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

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monitor in-year spend of budgets and raise concerns where there is a possibility of overspend or other issues affecting spending priorities.

The call-in process is a key means by which PDS Committees can hold the Executive to account. Any five Councillors can call-in a decision and prevent it from taking immediate effect until it has been considered by a PDS Committee. The Committee can then interview the Portfolio Holder and officers and consider whether the decision was appropriate, within the Council's policy framework, and whether it should be reconsidered. If the Committee feels that the decision should have been reversed or altered, it can make a recommendation to the Executive, which then has to reconsider the matter.

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 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 Audit confirmed that 'my overall opinion on the control environment based on the internal testing and reviews undertaken is that there is 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 in the areas of supervision/monitoring, document control and updated procedures but significantly a better understanding in officers' understanding/awareness of financial regulations and contract procedure rules. This has been due the mandatory web based training of over 600 officers involved in the finances of this authority. The Head of Audit can confirm that adequate 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.

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External Inspections

In their *Report to those charged with governance* for the year ended 31 March 2013, published in September 2013, the external auditors PricewaterhouseCoopers LLP reported the following:

- ‘Management are responsible for developing and implementing 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 the Statement of Accounts and our review of the Annual Governance Statement.’
 - Two internal control deficiencies were reported covering an upgrade of a key financial system; Oracle Financials, and an out of date bank mandate. The recommendations were accepted and acted upon.
- ‘We reviewed the 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:

The Care Quality Commission carried out the following routine inspections of care services provided by the London Borough of Bromley:

Shared Lives report published June 2013

118 Widmore Road (residential home) published July 2013

Home Care report published November 2013

Supported Living report published November 2013

St Blaise (residential home) reports published July 2013 and December 2013

Orchard Grove (residential home) reports published November 2013 and February 2014

Each inspection covered several of the essential standards of quality and safety that people who use health and adult social care services have a right to expect. Other than the initial inspection of Orchard Grove where action was needed on the ‘management of medicines’ all the inspected standards were met. A follow up inspection of Orchard Grove found that the necessary action had been taken and that they now met the standard.

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 that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant Governance Issues

Last year we identified the following governance issues:

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Governance Issue	Outcome
<p>1. Our capacity to continue to make budget savings and maintain frontline services: 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.</p>	<p>Having achieved the necessary cost savings the Council managed to stay within budget in 2013/2014, and has succeeded in formulating a broadly neutral budget for 2014/2015 and introduce measures to reduce the ‘funding gap’ in 2015/16, without significantly impairing the delivery of frontline services.</p>
<p>2. Decision to become a Commissioning body: A six months Commissioning Programme covering ten services has been developed with a target date of Aug 2013 onwards for implementation and delivery.</p>	<p>This remains an ongoing process with some of the original services having dropped out of the programme and decisions still to be made going forward.</p>
<p>3. Integration shared services: Parking Services to provide a progress report to Environment PDS Committee in Oct/Nov 2013 along with an analysis of any opportunities for further outsourcing.</p>	<p>Environment PDS Committee received a report in November 2013 about progress made following the creation of the shared parking service with the London Borough of Bexley, the issues that had arisen during the first six months of operations, and the savings achieved.</p> <p>The potential for any further outsourcing of Parking Services is being taken forward by management through the Commissioning process reporting to Environment PDS Committee in July 2014.</p>
<p>4. Integration Public Health: A pre-integration check by Internal Audit stated that this was progressing satisfactorily.</p>	<p>From April 2013 the Council took responsibility for a number of public health functions following the abolition of NHS primary care trusts under the government's health reforms. Public Health now forms part of Education, Care and Health Services department.</p>
<p>5. Welfare reform agenda: Ongoing process covered by Internal Audit plan for 2013/14.</p>	<p>Internal Audit has reviewed both the procedural and transactional aspects of the Bromley Welfare Fund which replaced the government’s Social Fund from April 2013. The conclusion of these audits was that substantial assurance can be placed on the effectiveness of the overall controls.</p>
<p>6. Localised pay and conditions – the Council has withdrawn from National Terms and Conditions of Service with the majority of staff having accepted new contracts: The members of staff who have not signed are subject to a 45 day ‘dismissal and re-engagement’ consultation process to be followed by a statutory notice period.</p>	<p>All staff have now signed localised pay and conditions contracts which was implemented with effect from 1 April 2013.</p>

Any outstanding issues are included in the table below.

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New governance issues:

Governance Issue	Actions
Capacity to make further budget savings and maintain frontline services. Looking ahead, the continuing reduction in the financial settlement from the government and on-going cost pressures on the Council have opened a significant funding gap over the next four years, which it will be challenging to close.	In order to assist in providing sustainable financial solutions we will continue to explore opportunities to review radically service provision, seeking opportunities for income maximisation, mitigate against future cost pressures, explore wider partnership opportunities including community budgets, and prepare for a different organisation in the future with overall resources reduced. We continue to retain four year forward planning.
Decision to become a Commissioning authority	Chief Officers will continue to monitor progress, challenge and make recommendations to the Executive. Where appropriate, proposals relating to individual services will be submitted to the respective PDS Committees for scrutiny and approval.
Welfare reform agenda	Although the roll-out of Universal Credit is expected to be delayed until 2016 at the earliest, the Council will be reviewing the Council Tax Support Scheme as well as the Bromley Welfare Fund – the Government is withdrawing the grant funding for the Welfare Fund from 2015/16 (approx.. £1m).

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 Council

Date.....

Report No.
CEO 1409

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 25 June 2014**

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: Chief Executive

Ward: (All Wards);

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
- 3.23 Audit Activity
- 3.26 Waivers
- 3.30 Publication of Internal Audit Reports
- 3.33 Auditor of the Year
- 3.36 Housing Benefit Update
- 3.40 Other Matters
- 3.48 Risk Management

2. **RECOMMENDATION(S)**

- a. **Note the report and comment upon matters arising from the Internal Audit Progress report.**
- b. **Note the waiver process for exempted services and reach a decision on the reporting of placements.**
- c. **Note the list of Internal Audit Reports publicised on the web and approve the reports where exemptions are sought.**
- d. **Select auditor of the year from the two candidates**

- e. **Note the continuing achievements of the counter fraud benefit partnership with the Royal Borough of Greenwich and impending changes.**

Corporate Policy

1. Policy Status: Not Applicable:
 2. BBB Priority: Excellent Council:
-

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £660k including £313K fraud partnership costs
 5. Source of funding: General fund, Admin subsidy, Admin penalties, Legal cost recoveries, Provision of sold services to academies
-

Staff

1. Number of staff (current and additional): 6.5FTE including 0.5 FTE for a Risk Officer
 2. If from existing staff resources, number of staff hours: 221 audit days per quarter is spent on the audit plan and fraud and investigations but excluding RB Greenwich investigators time
-

Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Not Applicable:
-

Customer Impact

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

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Approximately 150 including Chief Officers, Head Teachers and Governors
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1 Priority One recommendations

3.2 The latest list of outstanding priority one recommendations is shown in Appendix A. There have been a number of additions detailed below since the last meeting of this Committee. There have also been some movement in priority one recommendations brought forward that are detailed below.

3.3 Progress on implementation of recommendations for Insurance (11 priority one recommendations), Learning Disabilities (12 priority ones), Care Manager Assistant Investigation (3 priority ones), Libraries Investigation (1 priority one) and the Mobile Phone Investigation (1 priority one) are all expanded on in detail in Part 2 of the agenda. Rent arrears – on the request of the Chairman and former Vice Chairman of this committee an analysis of the debt was supplied by the Deputy Director of Finance. However, we have yet to audit this area and will do so in 2014/15. We have therefore left the recommendation as outstanding.

3.4 New Priority One recommendations

3.5 **Looked After Children (LAC).** The 2013-14 planned audit for Looked After Children was undertaken by LB Wandsworth in quarter 4; managed by Bromley Internal Audit Section. The audit review identified two significant findings as follows:-

- **LAC-Payment Authorisation:** Controls for evidencing funding approvals had failed in 7/41 placement decisions tested i.e. evidence of the authorisation for the placement was not available to support the payments made. In one incident payments continued to be processed after the child had changed placement. As a result of the audit testing the team became aware of the overpayment and action taken to recover £11,336.

- **LAC-Timely completion of assessments and reviews:** The processes for ensuring that statutory requirements/deadlines (as specified within the Care, Planning, Placement & Case Review Regulations 2010) was not effective. Audit testing identified that 13/20 cases various elements of these regulations were not being achieved. In the absence of effective control, the risks of adverse comments from external inspections may give rise to reputational damage and/or sanction for failing to comply with requirements and that a care/placement package might not be appropriate are increased.

- Both recommendations have been accepted for implementation. There were two other lower priority recommendations. A limited assurance opinion was given in the audit report for this service.

3.6 **Creditors-** this audit was part of the 2013/14 internal audit plan that was commissioned from LB Wandsworth.

3.7 **Ordering and Commitment** 5/27 payments sampled (excludes Confirm payments from the sample of 35) had orders raised on the same day as or after the invoice date. However when a 'retrospective purchase order' report was run in May 2013, this showed 3,290 retrospective purchase orders had been made in the period 30/01/13 to 30/05/13, with 68% of these attributed to 30 officers. The effect of not raising orders until after receipt of invoices, was that commitment to expenditure is not reflected in the budget. This would reflect new results to identify areas of concern. Management have accepted this recommendation for implementation. There were five other lower priority recommendations. A limited assurance opinion was given in the audit report for this area.

3.8 Transforming Community Equipment Services (TCES) this audit was undertaken in quarter 4 from the 2012/13 audit plan and finalised in April 2014. There were three priority one recommendations as follows:

TCES-Verification of Invoices Submitted

The equipment invoices from the provider for October and November 2013 were reviewed. Ten lines were selected at random and were reviewed from the supporting documentation that is sent with the invoices.

For October 2013, the total value of the equipment invoice was £118,100.46 (including VAT) and the following issues arose:-

- The invoice is not broken down into key elements such as delivery types (individual speed rates and costs), individual collection costs. There was just a sum of £6,500 for speed rates with no break down.
- Invoice period was not specified
- Credits not actioned for returned/collected items.
- Items not charged for by contractor.
- Standard stock items charged at almost double –it was not clear for the reason behind this..
- Listed items supplied but were not standard stock items.

For the November 2013 invoice, the total value of the equipment invoice was £132,870.10 (including VAT) and the following issues arose :-

- Items requested to be repaired, unable to repair. Collection and recycling cost charged. Additionally, new item ordered and new delivery cost at high cost rate. No detail recorded of fault with item.
- Items listed on the supporting documentation as a TCES Stock Item were not recorded on the Bromley Stock list. Actual charges were considerably higher.
- Stock storage costs. See P1 recommendation below-para 3.12.
- It was found that, over £9,000 was charged for the speed rates selected (not including the standard collection and delivery rates) there was an additional speed rate of Emergency Same Day. At the time of the audit it was unclear why these speed rates are being utilised, as there was a management instruction for both social care and health staff that these were not to be used in order to reduce the overspend.

3.9 No evidence of management checking of invoices had been provided to Internal Audit. The Head of Assessment & Care Management and other senior officers placed reliance on service users or staff highlighting negative issues. There is a Financial Regulation requirement that more detailed checks are carried out on invoices over £10K before payment. It is detailed that over £10,000 100% check should be undertaken.

3.10 The performance monitoring figures provided by the contractor for October and November 2013 were found not to reconcile to the actual delivery and collection charges detailed within the invoices for October and November 2013.

3.11 Management have accepted that more detailed checks need to be completed on the monthly invoices before payment is made. Each manager will be required to a sample of transactions on the invoice.

3.12 TCES-Stock Reconciliation/Stock Charges

Since July 2012, the Authority has stored equipment at a depot in Woolwich. The auditor was advised that LBB are not charged for the storage of standard stock items. LBB are charged 50p per week per item for the storage of special non stock item such as bespoke paediatric equipment for which details are listed on the monthly invoice. On the November 2013 invoice, the charges are itemised as Special Storage, (Per Product per Day as agreed). (No charges

were made for storage on the October invoice as this was missed off by the provider). There is no up to date schedule of non stock items maintained by LBB officers and reliance is placed upon the provider. Following a site visit an officer confirmed that items displayed on the TCES system could not be located at the depot. Also there were items in the depot that are not displayed on the TCES system and items that were then scrapped by the Senior OT's.

3.13 Management had agreed to review the whole process of charging for non stock items.

3.14 **TCES-Contract Monitoring**

3.15 The annual performance measures and quarterly performance monitoring reports were requested. Details of the collection and deliveries were supplied but the other performance measures are still awaited. Management have stated that these will be addressed going forward.

3.16 It was found that the Senior OT's do not regularly attend the operational meetings that are attended by the contractor. On review of the minutes, no evidence could be found of any discussion around individual cases with the provider.

3.17 There were complaints by service users that were not being addressed and also not being discussed at operational meetings. Management identified a processing issue which prevented complaints being investigated. Management has assured Audit that this has now been rectified.

3.18 There were 7 other lower priority recommendations and a limited assurance opinion has been given in the report.

3.19 **Main Accounting System**

3.20 To enhance budget monitoring and to make forecasting more effective a Full Budget Monitoring system (FBM) was introduced in 2011. The FBM procedure notes state that Budget Holders should be submitting their forecasts between days 1-5 of the month with their line managers, the Reviewer, confirming the budget holders' submission on days 6-7.

3.21 Although several reminders have been circulated recently, significant numbers of budget holders do not appear to be using FBM to evidence their review/forecast as an aid to effective budget management. Audit testing for January 2014 revealed that as at 25/02/14 (day 25) from a sample of 97 budget codes budget monitoring review had only been completed for 23 budget codes (24%).

3.22 The submission/budget monitoring review rates for the past five months were 45% (Sept), 26% (Oct), 30% (Nov), 49% (Dec) and 64% (Jan). The increased submission rate for January was achieved as at 12/03/14, 6 weeks after the January month end.

3.23 Management have agreed to implement this recommendation which probably requires Directors having to take responsibility to ensure that budget holders engage in the process. There were two other lower priority recommendations and a substantial assurance opinion has been given in the report.

3.24 **Audit Activity**

3.25 Internal Audit activity for 2013/14 is summarised under the Annual Audit Report of this agenda. Internal Audit have spent most of our time since the last progress report in March 2014 completing audit work from the 2013/14 Internal Audit plan, conducting fraud and investigation work and assisting management with their inquiries-(details of this work are in Part 2) and providing sold services work to academies. Given the short period of time to report on 2014/15 activity i.e. just one month, we will as in previous years inform Members of this committee our

half yearly progress in October 2014. In addition to audit planned work we also carried out the following:

- Sold services to academies.
- Ongoing training-set up and monitoring of the web based training package for Financial Regulations and Contract Procedure Rules working with Procurement. This is expanded upon below.
- Fraud and investigations.
- Advice and support on financial regulations, variations to change in system controls.
- Liaison role in assisting management inquiries and other fraud cases that appear in part 2 of this agenda.
- Monitoring role of the Greenwich Fraud partnership.
- Liaison work with our external auditors in preparation of their audit of the 2013/14 accounts
- Committee work

3.26 The audit satisfaction questionnaires returned by auditees continue to indicate a high level of satisfaction with an average score of over 4 out of 5.

3.27 Waivers Procedure

3.28 At the last meeting of this committee we had reported that under CPR13.2 Chief Officers with Social Care responsibilities have specific exemptions provided to them under the Council's Scheme of Delegation. These powers were delegated down from the Council and the Leader. The advice we had from the Head of Procurement was that CPR requirements apply to CPR 13.1 only and as a result these are not waivers that need to be reported to this Audit Sub Committee. Therefore there are two options- cease submitting the list of exempted placements to this Committee if Members are so minded; or provide a separate list to that of waivers sought under CPR 3 and 13.1. The Portfolio Holder for Education had stated that education placements get reported to Education PDS. There was uncertainty about what reports go to the Care Services PDS Committee, and therefore it was agreed that verification be sought that the said Committee scrutinise placement waivers and if this was the case, to be reported back to Audit Sub Committee to allow members to decide if care services placements need to be included on the waiver list in future.

3.29 The Assistant Director for Commissioning has confirmed by way of a procedure note that the Care Services PDS is informed on waivers authorised by the Portfolio Holder as part of the budget monitoring process.

3.30 Members are therefore asked to consider whether exempted placements are reported on in future to this committee.

3.31 Publication of Internal audit Reports

3.32 At the last meeting of this committee we reported our first batch of Internal Audit reports finalised since November 2013 that was published on the web. Members also sought publication of any reports from the previous three years where losses of £100k could have arisen through fraud, malpractice, error or where value for money could not be demonstrated. Six were identified under this category of which two were published with exemptions sought for the other four reports- CDM Project; Parks and Greenspace; Castlecombe Children and Family

Centre; and Behaviour Services. Members had requested that the reasons for these exemptions be given in more detail in Part 2 and is on this agenda.

3.33 Since the last cycle of this committee we have published a further 12 redacted final reports with no exemptions sought:

- Contract and Commissioning (Public Health)
- Coroner and Mortuary Service
- Creditors
- Debtors
- Looked After Children
- Main Accounting System and Budgetary Control
- TCES audit
- Payroll
- Street Lighting-Invest to Save
- Farnborough Primary-closure audit
- Manor Oak-closure audit
- Perry Hall- closure audit

3.34 Auditor of the Year- this is an annual award made to an auditor by Members of this committee. There are two auditors being put forward for this award in respect of notable pieces of work carried out in 2013.

3.35 Auditor A –this auditor was redeployed back to audit following a period of two years. The first audit assignment was Learning Disabilities that uncovered major findings including 12 priority one recommendations and a nil assurance opinion. The audit was carried out with professionalism and due diligence in circumstances where documentation was not readily available, and the audit trail was unclear. Auditor A had to produce a detailed report based on what information could be gathered from interviews with key staff, financial information and third parties. The report came under intense scrutiny from management given the significant findings, that Auditor A handled with confidence. The findings of the report were reported on in detail in November 2013 to this committee and the follow up work is also reported elsewhere on this agenda. In addition auditor A was also assigned the TCES audit that was also complex resulting in three priority one findings expanded upon in this report. The report was also challenged and accepted by management. All recommendations in both reports were accepted for implementation.

3.36 Auditor B-was assigned to carry out the Insurance investigation that was reported in detail to this committee in November 2013. The investigation resulted in the Insurance Manager being dismissed for fraud and being successfully prosecuted. The investigation had to be carried out with professionalism and due diligence in the absence of documentation, procedures and clear audit trails. The officer had to work in a liaison role with the investigators from RB Greenwich, the police and management going through some 3000 payments to clear further incidences of potential fraud. A comprehensive audit report was produced with 11 priority one recommendations accepted by management for implementation. The same officer had also

investigated two other cases of fraud in which both officers were dismissed for fraud and successfully prosecuted. These cases were reported to this committee –Care Manager Assistant and the Purchase Card investigation.

3.37 Housing Benefit Update

3.38 Members had previously been informed that the proposed move by the DWP towards a Single Fraud Integrated Service (SFIS) was put back to April 2014. The DWP have now given a firm date that the Bromley housing benefit fraud service will transfer over on the 1st July 2015. By March 2016 all local authorities would have been transferred over to SFIS. Staff will be subject to TUPE. This has implications for our partnership agreement with RB Greenwich which is benefits driven and expires in March 2014. Under the requirements of our contract, we had already given notice to terminate the agreement. We have now sought a waiver in March 2014 to extend the partnership agreement up to 31st March 2015 and thereafter to the point of transfer.

3.39 Senior management have already met to discuss post transfer arrangements to cover LB Bromley related fraud such as council tax exemptions, single person discount, social fund, blue badges, direct payment cases, fraud referrals from the public, referrals from management, staff related fraud, NFI data matching and any pro- active exercises that could identify losses. As we have previously stated, we are keen to maintain the link with RB Greenwich that has lasted since 2002 and worked well and will explore this further.

3.40 Since the inception of the partnership in April 2002, through to May 2014, the Council has successfully prosecuted 369 claimants to date for benefit fraud; issued 346 court summonses; given 101 formal cautions; and administered 402 penalties. The full details and appendices on trends are shown in Appendices B, C and D.

3.41 Other Matters

3.42 **Other Matters- Web based training** –we had previously reported that following a series of investigations there was clearly a need for officers to be made aware of the requirements of the Financial Regulations and the Contract Procedure Rules. Consequently, a web based training package was developed which was compulsory for any officers who had roles that involved finance or decisions that had financial implications.

3.43 647 officers were asked to complete the training – to date 90% have completed with a further 3% partially completed. 48 officers or 7% have yet to complete the training.

3.44 We are expecting that this training package, subject to some updating will be used for further promoting awareness of the Financial Regulations and Contract Procedure Rules.

3.45 As stated in the Annual Audit report elsewhere on this agenda, there has been a marked decrease in the number of recommendations made in 2013/14 in respect of breach of Financial Regulations and Contract Procedure Rules at could be attributable to this officer training.

3.46 **Other Matters-Review of Value for Money arrangements** - in 2013/14 we did not carry out reviews of VfM arrangements due to time spent on investigations. As a result we have rolled over three of the audits with a requirement to review VfM arrangements using the methodology agreed by this committee . Two of these Temporary Accommodation and Fostering and Adoption are currently being audited and will include VfM arrangements and be reported to the next cycle of this committee. The third audit, planning, will be completed later at a later in 2014/15.

3.47 **Other Matters-Working arrangements with LB Wandsworth** – six audits were commissioned from Internal Audit services of the London Borough of Wandsworth. These have been

completed with three finalised- Looked After Children, Creditors and Main Accounting/Budgetary Control all reported upon within this report as they had priority one recommendations. Parking is at draft stage and Procurement and Leaving Care is at pre-draft stage. The quality of the reports has been satisfactory.

3.48 Other matters- Local Audit and Accountability Bill – we had reported on the requirements of the new bill for local authorities to appoint their own external auditors through the medium of an audit panel and for negotiating joint procurement of external audit services. There has been no further developments on both matters to report on.

3.49 Risk Management –at the last cycle of this committee we had reported that where possible the exercise to evaluate the financial impact on high risks had been completed by the departments. We had requested through the Risk Management Group that this exercise be extended to medium financial risks. We will report on the progress at the next cycle of this committee.

3.50 Other risk matters are covered in the Annual Governance Statement that forms part of the Annual Audit Report that appears on this agenda.

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

There is a statutory requirement to provide an internal audit function through the Accounts and Audit Regulations 2011

7. PERSONNEL IMPLICATIONS

Staff in breach of financial rules and procedures or acting inappropriately against the Council's legal and financial interests may be subject to disciplinary actions or/and police investigations.

Non-Applicable Sections:	Policy
Background Documents: (Access via Contact Officer)	None

Report Number/Date	Title	Opinion	No. of Priority One's	Details of original Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
ECCHS/068/01/2011	Emergency Accommodation & Rent Accounts	Limited Assurance	1	Service Teams, including LATCH, Leaving Care Services, Core and Cluster [now Supported Living], Traveller and Orchard and Shipman are not recovering rent arrears or monitoring the debts of their clients, which on 10/2/12 gave an accumulative total of £533,753.50 in these groups. Teams did not have access to the accounting files on Anite. In addition, these teams do not hold detailed procedures to outline the process for the recovery of debts. The previous audit also highlighted problems with rent arrears in emergency accommodation. Total rent arrears for current and former clients stands at £1,266,528 compared to £1,268,466 in January 2012.	In progress	Exchequer Manager/Liberata Sundry Debtors Section Manager/Group Manager Leaving Care Team/Group Manager Residential Services/Group Manager Housing Needs	The last update indicated that rent arrears at September 2013 were £2,017,242 an increase of 60% from September 2012. Part of the increase in arrears is due to increase in TA numbers and the effects of the welfare reforms. The rent arrears figure as at 31st December 2013 stands at £2,103,193. Adjustments of £183K that is pending will bring down this figure and will be further reduced by £280k for write offs awaiting action. This area will be audited as part of the 2014/15 internal audit plan. See report progress report.	High
ECCHS/024/01/2012	Behaviour Services	N/A	1 o/s	Part 2- six of the 7 priority one recommendations have been implemented.	In progress	Assistant Director ECS	Expanded in Part 2	High
CEXFin/018/01/2013	Insurance	N/A	4 o/s	Part 2- 7 of the 11 priority one recommendations have been implemented	In progress	Director Of Finance	See update in Part 2	High
ECCHS/023/01/2012	Learning Disabilities	Nil Assurance	2o/s 3 partial	Part 2- originally there were 12 priority one recommendations -2 are still o/s; 6 fully implemented; 3 are partially implemented; and 1 redundant by change of process.	In progress	Executive Director ECH	Additional work commissioned by Director of Finance. Audit currently following up recommendations	High
ECS/001/01/2013	Libraries Staff Investigation	Limited Assurance	1 o/s	Part 2- 2 priority one recommendations made following investigation. One has been implemented	In progress	Libraries Operations and Commissioning Manager/ Stock services Manager	Ongoing action- see update in Part 2	High
CEX/062/01/2013	Mobile Phone Investigation	Limited Assurance	1	Part 2	In progress	Director of HR	Agreed to take ownership and that the wording of the policy will be amended.	High
CEX/012/01/2012	Building Maintenance	Limited Assurance	1	The department must comply with the requirement 1.2 and 8.1.3 of the Contract Procedure Rules. <ul style="list-style-type: none"> • "Officers shall not sub divide work which could reasonably be treated as a single contract." • "The total estimated value of orders for a given type of goods, services or works should where ever practicable be amalgamated for the purpose of determining procurement procedures." They should review the practices and procedures to identify cumulative spend with individual suppliers. Where spend exceeds limits indicated in Contract Procedure Rules quotes or tenders should be sought.	In progress	Head of Operational Property	Agreed and corrective action in progress. To be tested as part of the 2014/15 building maintenance audit.	High
CEXFin/009/2013	Creditors	Limited Assurance in the area of orders not being raised	1	5/27 payments sampled (excludes Confirm payments from the sample of 35) had orders raised on the same day as or after the invoice date. A 'retrospective purchase order' report was run in May 2013. This showed 4,788 retrospective purchase orders had been made in the period 30/01/13 to 30/05/13, with 68% of these attributed to 30 officers. However further examination of this report identified duplicated purchase order lines therefore producing inaccurate results with the actual total of 3,290 retrospective order being raised during the period. This would reflect new results to identify areas of concern.	In progress	Exchequer Manager	Agreed by management and corrective action in progress	High

Report Number/Date	Title	Opinion	No. of Priority One's	Details of original Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss	
ECHS/005/2013	TCES	Limited Assurance	3	Verification of invoices Stock Reconciliation/Stock Charges and Contract Monitoring	In Progress	Head of Assessment & Care Management & Commissioning.	Agreed by management	High	
ECHS/015/2013	Looked After Children	Limited Assurance	2	Payment Authorisation including an overpayment to a foster parent and timely completion of assessments and reviews.	In Progress	Head of Service C&R			
CEXFin/016/2013.bf	Main Accounting System	Substantial	1	FBM not being completed by a large number of budget holders	In progress	Deputy Director of Finance			
The following priority one recommendations have been implemented: None see comments column above									
Learning Disabilities- 6 fully implemented; 3 partially implemented; 1 is redundant by change of process; and 2 considered outstanding									
Insurance- 7 have been fully implemented leaving 4 to be followed up as part of the audit planned for Insurance in 2014/15.									
Care Manager Assistant-30/s P1's were deemed to be implemented following a quality review of the service by management.									

LBB ANALYSIS OF IAAF MONTHLY MONITORS 2002 through to 2014/15

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
Court Summonses							1			2	2		5
Admin Penalties							1		1				2
Formal Cautions					1				1				2

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
Court Summonses	2	4	1	4	3	2			1	1			18
Admin Penalties	3		1		1			1	1	2			9
Formal Cautions	4	1	1			1	2	1		2	1	1	14

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
Court Summonses	2	4			6	2	1			9	2	4	30
Admin Penalties	2		2	1		3				1			9
Formal Cautions		4	2		1	2	1	3	1		2	1	17

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
Court Summonses	6	3	4	1	3	4	7	5	2	5	6	4	50
Admin Penalties	1	2					2		3	1	1	1	11
Formal Cautions	2	2	1	2		2	1			1	1		12

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	9	1	3		3	2	4	4	6	4	3	2	41
Court Summonses	4	1	4	4	1	7	6	1	5	4	5		42
Admin Penalties	5	4	3	2	2	1	2	4	2	3	15		43
Formal Cautions		1	2							1	2		6

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

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

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

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

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

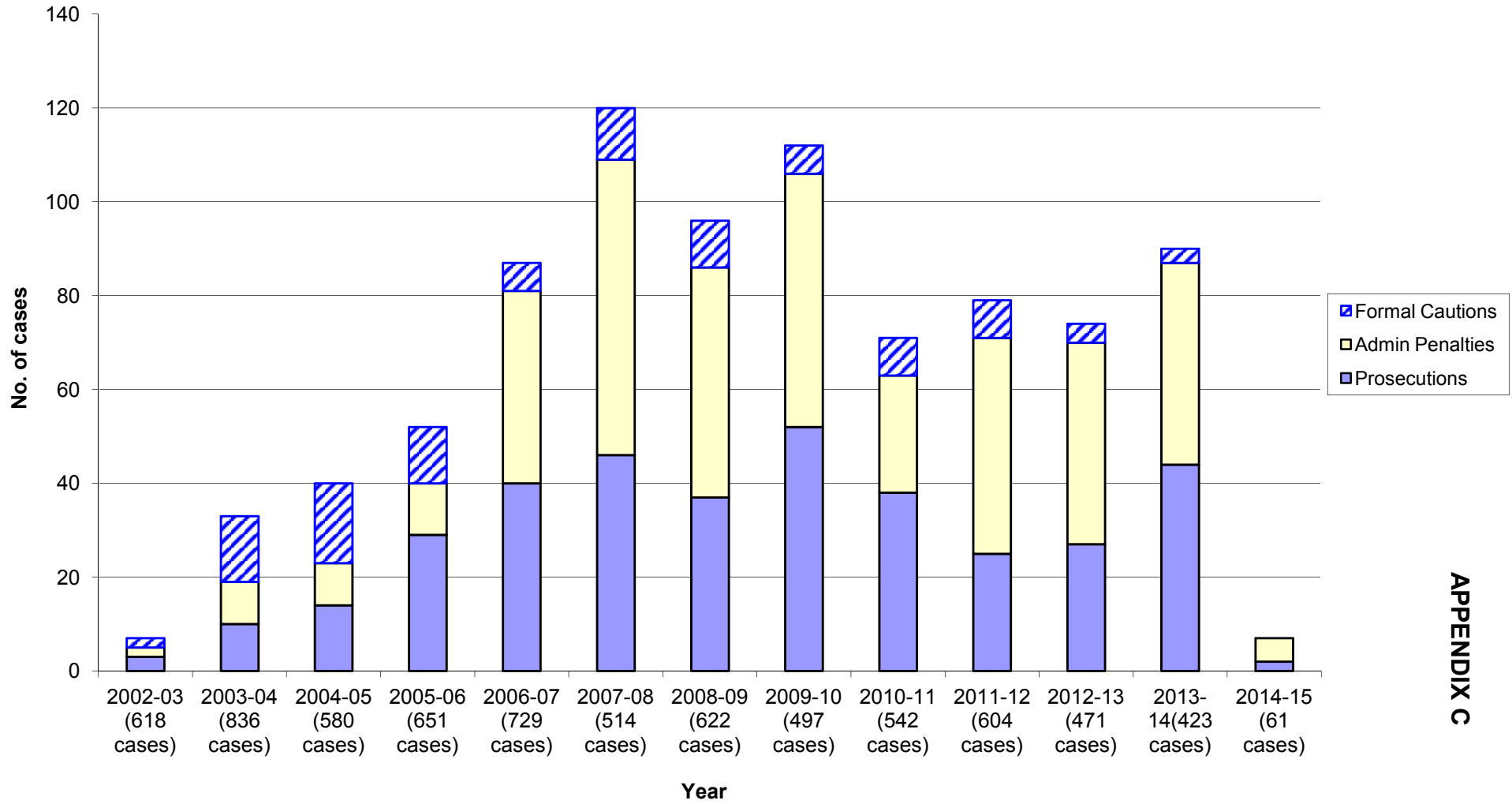
2012/13	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	37	41	13	40	26	36	40	36	19	36	85	62	471
Confidential Hotline	8	10	5	10	8	8	9	15	6	10	5	10	104
Interviews	2	16	18	13	16	6	9	22	8	8	8	14	140
Claimant Visits	1		5	5	5	9	5	7	8	2	3	2	52
Prosecutions	4	5	1		4	3	4	5	1		1		28
Court Summonses	2	3		3	7		3	2	2	1	4		27
Admin Penalties	16	5	5	2	2	5	5	1	2				43
Formal Cautions		1					1		1			1	4

2013/14	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	47	45	31	26	34	23	43	27	27	40	32	48	423
Confidential Hotline	16	9	6	4	9	8	3	9	12	4	10	10	100
Interviews	24	31	20	19	15	7	17	6	5	9	12	13	178
Claimant Visits	4			6	7	1	1	5	13	7	6	4	54
Prosecutions	12	3	1	8		7	4	1	3	4	1		44
Court Summonses	2		7	4	3	2					1		19
Admin Penalties	2	2	6	4	12	6	1	5	3		1	1	43
Formal Cautions							1			1	1		3

2014/15	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	25	36											61
Confidential Hotline	4	9											13
Interviews	3	11											14
Claimant Visits	4	4											8
Prosecutions	1	1											2
Court Summonses	1	3											4
Admin Penalties	3	2											5
Formal Cautions													0

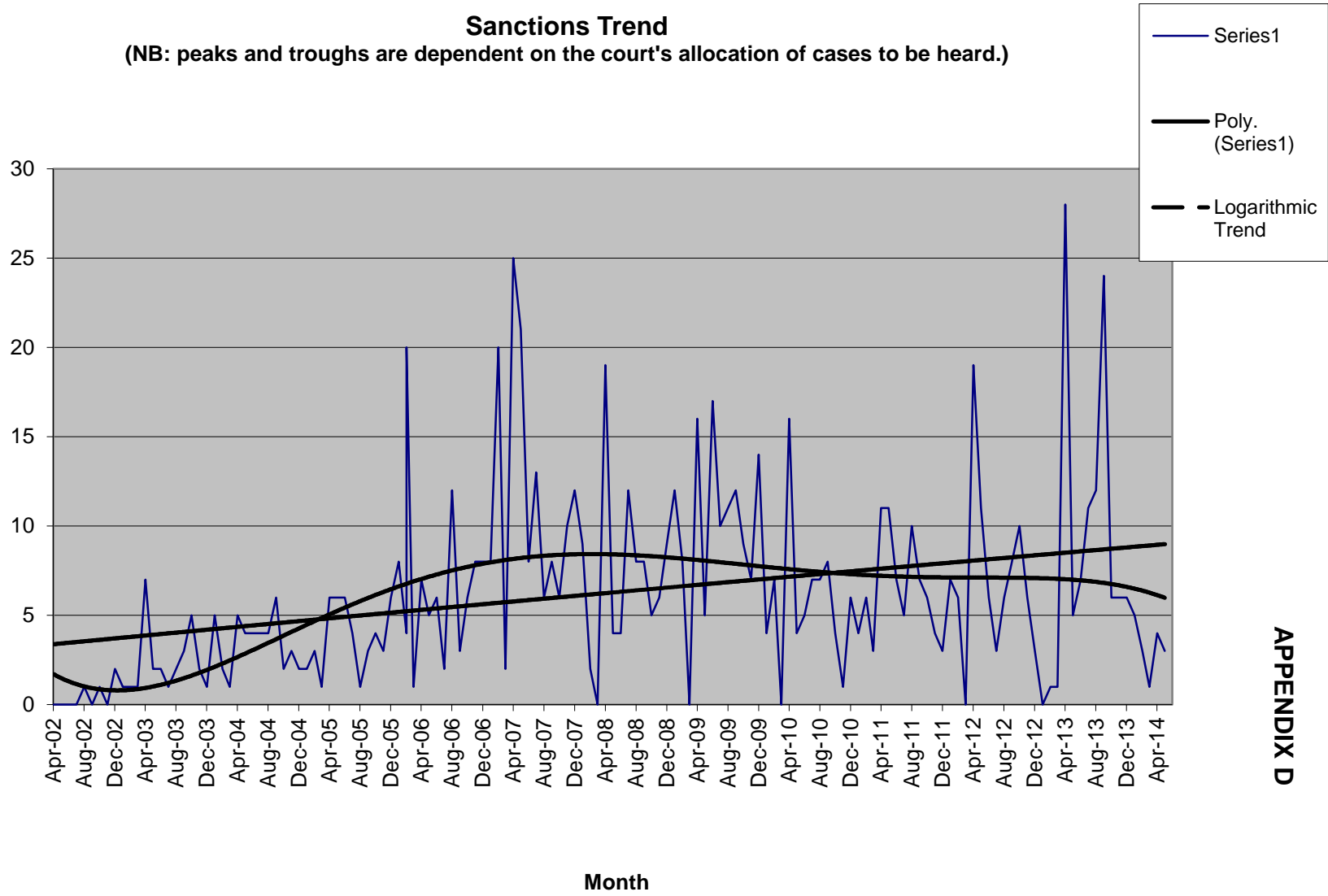
APPENDIX B

HB Sanctions - Annual Comparison



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No. of sanctions



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of the Local Government Act 1972.

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