

AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.00 pm on 1 December 2015

Present:

Councillor Neil Reddin FCCA (Chairman)

Councillors Ian Dunn, Simon Fawthrop and Keith Onslow

Also Present:

Sara Bowrey, Deepali Choudhary, Nigel Davies, Dan Jones, James Newell, Doug Patterson, Linda Pilkington, Luis Remedios and Dave Starling, Barrie Cull

13 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies were received from Cllr Peter Fortune, and from Cllr William Huntington Thresher. Cllr Simon Fawthrop attended as alternate for Cllr Huntington Thresher.

14 DECLARATIONS OF INTEREST

Councillor Fawthrop declared an interest as his wife was employed by Bromley Adult Education College, and as the parent of a child attending a Bromley School.

Cllr 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 Onslow declared an interest as an agency worker, and that he worked part time for the Zurich Insurance Company.

15 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 25th JUNE 2015 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

The public minutes of the meeting held on 25th June 2015 were agreed.

16 QUESTIONS FROM MEMBERS OF THE PUBLIC OR COUNCILLORS ATTENDING THE MEETING

No questions had been received.

17 MATTERS OUTSTANDING--PART 1

Report CSD16003

It was noted that concerning the issue of the scrutiny of contracts by Members, this matter had now been referred to the E&R PDS Committee, and that a Contracts Working Party had now been set up and was meeting regularly.

The other matters were either completed or were being updated in the various progress reports on the agenda.

RESOLVED that the Matters Arising report be noted.

18 QUESTIONS ON THE AUDIT SUB COMMITTEE REDACTED REPORTS PUBLISHED ON THE WEB

Two questions had been received from Cllr Ian Dunn:

Housing Benefit.

How do we obtain assurance from the contractor that their staffing and processes are adequate to deal with the forecast volume of work, particularly given that the length of time for the processing of Discretionary Housing Payments can be long and most appeals appear to take longer than the SLA? Do we have agreed forecasts of workload for these and other items?

Answer:

Work has been carried out recently to reduce the time to process applications. The current performance for application processing is now within targets. For DHP, Bromley has to approve payments and there tends to be a build-up of claims around year end. Appeals also come to Bromley now.

Liberata Final Report.

Is it possible for LBB staff to be given the ability to run reports now, rather than wait till after March 2018 when the existing contract ends?

Answer:

Currently LBB officers do not have the facility to run reports. This would require training and variation to the contract which could be considered on expiry of the current contract.

RESOLVED that the redacted reports published on the web be noted.

19 INTERNAL AUDIT PROGRESS REPORT

Report CEO 15011

The audit of Family Placements was undertaken as part of the 2014/15 audit plan, at the request of the Assistant Director for Safeguarding and Social Care. This had resulted in 8 P1 recommendations and a nil assurance. The Head of Internal Audit explained that progress was being made, although it was a bit slow. There were still problems with training that required resolution; only 1 out of 9 staff identified to undertake training concerning financial regulations and contract procedure rules had completed and passed the training. There were still outstanding DBS checks that required chasing. Of the 8 P1 recommendations tested to confirm implementation, 3 were still outstanding, and 5 were found to be partially implemented.

Good progress had been made concerning the Leaving Care (Payments to Clients) audit review. The findings of the review were that of the 6 partially implemented recommendations, 4 had been implemented, and the 2 relating to pathway plans and purchase cards remained as partially implemented.

The audit review of Looked after Children found that care plans and placement plans had been completed and authorised in a timely manner, and the recommendation was therefore considered implemented. The second P1 recommendation on recovery of an overpayment was currently being pursued to the satisfaction of Internal Audit and therefore was considered implemented.

The P1 recommendation pertaining to rent arrears for emergency accommodation was the longest outstanding. The process of the reconciliation of accounts with Orchard and Shipman was underway, and this may reduce the level of rent arrears. However, there was currently still a high level of uncollected rent, and so this recommendation remained outstanding. The Head of Internal Audit reminded the Committee of the recommendations concerning the Essential Car User scheme which was being phased out. Management were implementing the recommendations and therefore all three priority one recommendations had been implemented.

The audit review of Domiciliary Care revealed that there were still problems with agreements closed on incorrect dates, and agreements not being closed after a person was deceased. Therefore the two P1 recommendations remained open.

The audit follow up on the priority one recommendation made in the Transition Team audit, regarding under and overpayments in direct payment cases showed that this was still outstanding.

There had previously been an audit of a primary school that revealed problems with poor cash control. The school had since converted to an Academy, and the recommendations would be followed up by the responsible

officer. The School Finance Team were now involved in improving financial controls.

The Head of Internal Audit reminded the Committee that from April 2002 to September 2015, LBB had worked with RB Greenwich Fraud Team in successfully prosecuting Housing Benefit Fraud; during this period, 420 claimants had been successfully prosecuted. Since 1st July 2015 all new cases of suspected benefit fraud were now referred to the DWP's Single Integrated Fraud Service. Internal Audit had received some feedback from SFIS, including the fact that 6 referrals had been lost. There were 29 cases under criminal investigation, but no successful prosecutions to date. The Head of Audit stated that this would be the last time for reporting on housing benefit statistics given the completed transfer of the service to the DWP.

The Head of Internal Audit briefed the Committee concerning section 3.44 of the report, which outlined the new anti-fraud and corruption strategy. Appendix F followed the report which outlined the new strategy. The Anti-Fraud and Corruption Strategy document required approval and subsequent uploading onto the system by Finance.

Cllr Ian Dunn referred the Committee to section 19 of the Raising Concerns Policy that dealt with Monitoring and Oversight. He commented that he had not seen this process in action. The Head of Internal Audit confirmed that the process was in place and was active.

Members noted the Bromley fraud activity statistics for 2014/15 that is now required in compliance with the Transparency Code was to be published on the web.

Members turned their attention to the issue of objections to the accounts, and noted that there were three objections that were ongoing. At this point the Chief Executive joined, and participated in the discussions concerning the objections. Cllr Fawthrop commented that it was good to receive objections, and that perhaps LBB needed to be more open concerning their accounts. The Chief Executive concurred with the need for transparency, but felt that as this matter had been ongoing for some time, it was necessary that it now be concluded. The person that had objected to the LBB accounts had undertaken the same course of action with other boroughs.

Cllr Keith Onslow asked if the objections were valid, and if there was a formal process to draw the matter to a conclusion, he also wondered if the matter could be referred to the Ombudsman. Cllr Fawthrop suggested that the matter be referred to the local MP to be raised in the House of Commons. The Head of Internal Audit informed the Committee that LBB had met with the Objector, and had presented evidential information as required. The Chief Executive stated that LBB should be more robust with the External Auditors. Cllr Fawthrop suggested that the Objector be asked if he would like to raise questions concerning the accounts in a public forum at the GP&L Committee.

It was agreed that there needed to be a summary of information provided by LBB to the objector to date, in compliance with guidelines. Once done, Members would offer their support with regard to raising the matter with External Audit. The Head of Internal Audit commented that the Director of Finance had raised this issue with other London treasurers and with Public Sector Audit Appointments Ltd (the body that had taken over from the Audit Commission to oversee the external audit contracts). There was no outcome, objections were seen as being an independent process between the objectors and the external auditors.

The Committee discussed the update on Risk Management and heard that a new risk matrix had been approved by the Corporate Risk Management Group, and was going to Directors for approval. The Committee were informed that LBB's main corporate risks were being updated and included fraud, budget savings and commission/contract monitoring. There was a debate on the number of high and significant risks and the criteria behind this. There were also queries on the new control matrix in terms of impact and likelihood. The Head of Internal Audit pointed out that the submissions on risk classification had not been fully completed and details appearing in the report could change after management/DMT scrutiny of their risks. It was agreed that the complete details of high and significant risks be submitted to the next meeting of this Committee together with the revised corporate risks.

RESOLVED:

- (1) that the Internal Audit Progress report be noted**
- (2) that the list of Internal Audit reports published on the web be noted**
- (3) that the list of waivers sought since March 2015 be noted**
- (4) that the benefits of the counter fraud partnership (and impending changes) with RB Greenwich be noted**
- (5) that the revised Anti-Fraud and Corruption Policy be approved**
- (6) that the new arrangements around risk management be noted**
- (7) that the Letter of Representation be noted**
- (8) that the new training arrangements around Audit Controls be noted**
- (9) that concerning objections to the accounts--there needed to be a breakdown/summary of work done by officers and information provided to date, with a timeline to evidence that LBB had complied with guidelines. Once completed, Members would offer their support with regard to raising this matter with External Audit.**
- (10) that the details for high and significant risks be submitted to this Committee together with the revised Corporate Risks.**

20 FINANCIAL REGULATIONS & CONTRACT PROCEDURE RULES

Report CEO 15013

The Committee looked at the comprehensive report written by the Head of Audit concerning Financial Regulations and Contract Procedure Rules.

The report was required as it had been three years since Members had approved previous updates. Both documents now required updating due to changes in legislation, government requirements, organisational change and technology.

The Committee were referred to section 3 of the report where the main changes were summarised. The Committee heard that the regulations and rules had been working well, and that the current proposals were basic amendments to current procedures. Of particular significance were proposals to use electronic signatures to cut down on bureaucracy, and clarification on the rules concerning paying for services in advance. Similarly, there was also a proposal to increase the individual debt write off limits which would also reduce bureaucracy and align LBB with other local authorities. The Committee were informed that a new Transparency Code had been drafted in line with new requirements that had been set out in the Local Government Transparency Code.

The Committee were informed that the limit for righting off low level debts had been increased from £5k to £15k. This was one of the changes recommended for approval by the Audit Sub Committee. Cllr Fawthrop questioned why LBB were seeking to implement the limit increase. He felt that it was not good enough just to be aligning with other boroughs, perhaps the other boroughs were adopting a policy that was too lax. The Head of Internal Audit explained that the reasons for the increase was to reduce bureaucracy at a time when there were reductions in staffing resources. It was also the case that all recovery methods for large debts were explored by management before debts were written off and that write offs including large debts were audited annually to ensure compliance with procedure.

Cllr Fawthrop asked if spot checks would be undertaken on some of the debts that had been written off, and the answer to this was yes. Cllr Fawthrop was relieved to hear this, and reminded the Committee that there was a previous problem with a staff member writing off personal debt. The Head of Internal Audit commented that these debts were under £10.00. Cllr Fawthrop suggested that perhaps there should be a "split" applied to the way debts were written off. He suggested that the write off of cash debts should be limited to £5k. The Chairman stated that he was happy to support the revised limit of £15k.

Cllr Fawthrop asked the Head of Internal Audit for more information about how many debts there had been in the last financial year between £5k and £15k. The Head of Internal Audit responded that he would look into this and email the information to Sub Committee Members.

Cllr Keith Onslow directed the attention of the committee to Section 5, (sub section 22) of the report which dealt with "Risk Assessment and Contingency Planning". He was concerned about project risk, and asked if there was a formal risk assessment process in place. Mr Dave Starling (Head of Procurement) responded that in all projects involving corporate and high level risks, a Risk Manager would be allocated to oversee any potential risks to the project.

The Committee noted that the report stated that for all contracts with a value over £50k, the Contract Manager was required to:

- Maintain a risk register during the contract period
- Undertake appropriate risk assessments
- Ensure contingency measures were in place

Cllr Onslow asked if a Risk Matrix was used, and Mr Starling responded that it was. Cllr Onslow asked about the recent decisions made by the Executive concerning Biggin Hill, and commented that he did not see any reference to risk assessment on the documentation. He wondered if a risk assessment had been undertaken. Mr Starling asked what specific contracts Cllr Onslow was referring to. If it was to do with the airport lease, then the query would have to be referred to the appropriate section.

Cllr Onslow was of the opinion that a risk assessment should have been carried out concerning the lease agreement with Biggin Hill Airport. He stated that if one was not undertaken, then he would like to see one carried out. He asked if this was possible. Cllr Simon Fawthrop commented that if a risk assessment had not been undertaken, then the decision may have to be called back in.

The Chairman referred the Committee to page 272 of the agenda, and section 5 which dealt with Contract Management. Cllr Fawthrop asked if this information had gone to Members of the Contracts Working Party, and particularly to Cllr Stephen Wells. The Chairman expressed the view that Cllr Wells would have this information available. The Committee noted that the proposed changes to Financial Regulations and Contract Procedure Rules would be presented to the GP&L Committee at their next meeting.

RESOLVED

(1) that the changes proposed for Financial Regulations be approved

(2) that the changes proposed for Contract Procedure Rules be approved

21 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 listed below as it was 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.

22 MATTERS ARISING FROM THE MEETING ON 25th JUNE 2015- PART 2

Report CSD 16004

The part two (private) Matters Arising report was noted.

23 INTERNAL AUDIT FRAUD & INVESTIGATION REPORT

CEO 15012

Members noted the report and commented upon matters arising from the Internal Audit Fraud and Investigation Report.

Members approved the four audit reports where LBB were seeking exemption from publication for the reasons stated.

The full minutes of this item are detailed in the part two minutes.

24 EXEMPT MINUTES OF THE MEETING HELD ON 25th JUNE 2015

RESOLVED that the Exempt Minutes of the meeting held on 25th June 2015 be agreed.

The Meeting ended at 9.30 pm

Chairman