



BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH

TELEPHONE: 020 8464 3333

CONTACT: Stephen Wood
stephen.wood@bromley.gov.uk

DIRECT LINE: 020 8313 4316

FAX: 020 8290 0608

DATE: 24 November 2015

AUDIT SUB-COMMITTEE INFORMATION BRIEFING

Meeting to be held on Tuesday 1 December 2015

QUESTIONS ON THE INFORMATION BRIEFING

1 REDACTED AUDIT REPORTS (Pages 3 - 270)

Members and Co-opted Members have been provided with advanced copies of the reports via email. The reports are also available on the Council website at the following link:

<http://cds.bromley.gov.uk/ieListMeetings.aspx?CId=559&Year=0>

Printed copies of the reports are available upon request by contacting Steve Wood on 020 8313 4316 or by e-mail at stephen.wood@bromley.gov.uk.

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

This page is left intentionally blank

FINAL INTERNAL AUDIT REPORT
ENVIRONMENT AND COMMUNITY SERVICES DEPARTMENT

REVIEW OF WASTE SERVICES AUDIT FOR 2015-16

Issued to: Nigel Davies, Executive Director ECS
Dan Jones, Assistant Director Street Scene & Green Space
John Woodruff, Head of Waste Services
John Bosley, Contracts Manager (Waste & Refuse service)
Claire Martin, Head of Finance ESD

Prepared by: Deepali Choudhary, Principal Auditor

Date of Issue: 18/11/2015

Report No.: ENV/003/01/2015

REVIEW OF WASTE SERVICES AUDIT FOR 2015-16

INTRODUCTION

1. This report sets out the results of our systems based audit of **Waste Services Audit for 2015-16**. The audit was carried out in quarter 2 as part of the programmed work specified in the 2015-16 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 22/07/2015. The focus of the audit was Green Garden Waste (GGW). The period covered by this report is from 01/04/2015 to 30/09/2015. However, previous years' financial information was also reviewed to verify historical payments.
4. The Waste Management services budget for 2015/16 was set as £17,853,200. The income from green garden waste was budgeted as £893,650. The income collected for GGW until October 2015 was £1,155,488. The actual income includes payments received from new customers and payments in respect of service which will be delivered in 2016-17.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

7. This audit included a review of income collection for the Green Garden Waste (GGW) and the current system and processes in place for the GGW collection service.
8. The review focused on the recording of receipts of payments for GGW, cash reconciliations and the process of generating reminders and administration of the renewal process. The information on CRM system was reviewed to ensure the customer database is maintained and monitored.
9. Performance related issues were reviewed by interrogating GGW missed collection reports and reports on GGW collection rounds undertaken by the contractor.
10. The review highlighted significant issues with the current process in relation to GGW. It is recognised that the problems relate to shortcomings in the current system. Areas for improvement have been identified and urgent management action is required to ensure recommendations made below are implemented to reduce the possibility of adverse impact. Areas that require management attention are:

Income collection for Green Garden Waste (GGW)

A sample of 50 GGW customer accounts were selected from a report of GGW customers produced from CRM system on 19/08/2015. Payments received from the customers in the sample since the setup of their GGW account were reviewed. In 25 of 50 cases all payments relating to individual customers could not be verified. We were therefore unable to complete this testing which also impact on the ability to carry out an overall reconciliation of income. The system in use is antiquated and is not geared up to cope with the service requirements and retention of historic information.

Repeated Missed collections for GGW reported online are not escalated

The missed collections that were reported online were always logged as stage 1 default on the CRM system despite the fact that the customer has had more than one missed collection. When queried audit was advised that the CRM system does not

REVIEW OF WASTE SERVICES AUDIT FOR 2015-16

have the functionality to automatically update default stages and any reported missed collection online always defaults to stage 1. If the same missed collection was reported via phone, the waste advisers would manually updated the default stage to reflect appropriate default level. Over 50% of missed collections are reported online.

Process of generating reminders and administration of the renewal process

The process of generating reminders and administration of renewals was reviewed. At the time of review, the reminder letters were generated on the day of expiry of accounts. Therefore renewal payments were always received in arrears.

Termination of GGW service

A sample of 15 GGW customers was reviewed to ensure that their GGW collections were only made if their accounts were up to date and if they have failed to make payment, recovery procedures have been actioned:

- 1/15 customer did not renew the account and was receiving free collections 2 months after expiry. No evidence of instruction to remove bin was seen.
- Renewal payments for 3/15 customers were overdue by 5, 4 and 3 months respectively. As per termination procedure, collections should have stopped and bins should have been removed 2 weeks after renewal date.

SIGNIFICANT FINDINGS (PRIORITY 1)

11. The Priority 1 findings are as listed here:
12. A sample of 50 GGW customer accounts were selected from a report of GGW customers produced from CRM system on 19/08/2015. Payments received from the customers in the sample since the setup of their GGW account were reviewed. In 25 of 50 cases all payments relating to individual customers could not be verified. On enquiry Audit was advised by the Contracts Manager (Waste & Refuse service) and Principal Waste Officer that in 24 cases these payments would have been received as cheques and in one case the payment was received via kiosk. The CRM system does not record and retain an audit trail of

REVIEW OF WASTE SERVICES AUDIT FOR 2015-16

the payments received. Hence receipt of cheque payments and kiosk payments could not be verified by audit. Discussions with Management indicated that they are aware of the shortcomings in the system and an upgrade is required to automate the process and introduce additional functionality of ability to accept Direct Debit payments and retain historical data.

13. A report of missed bin for GGW collection for the period 01/04/2015 to 19/08/2015 was reviewed. Missed bins are reported by customers via phone or online and are recorded on the CRM system. A sample of 5 addresses which have had multiple missed collections for the period stated above was selected from the report for further review to ensure that corrective action was taken and defaults were applied as per the contract for non-collection. The review of the CRM system highlighted that although the missed bins were collected by the contractor, no further action was taken to address the issue of repeated missed collections. As per the information on the CRM system 4/5 customers in the sample selected reported their missed collections online. In total they reported 31 missed bin 10 reported by one customer and 7 each by remaining 3 customers. It was noted that the missed collections that were reported online were always logged as stage 1 default on the CRM system despite the fact that the customer has had more than one missed collection. When queried audit was advised that the CRM system does not have the functionality to automatically update default stages and any reported missed collection always defaults to stage 1. If the same missed collection was reported via phone, the waste advisers would have manually updated the default stage to reflect appropriate default stage.

As part of this audit, only GGW missed collections were reviewed. It is a concern that the issue of default levels not being escalated for online missed collection reports on the CRM system affects all defaults reported online. This has financial and performance implications. The financial impact of this issue has not been quantified.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

14. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

15. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>A sample of 50 GGW customer accounts were selected from a report of GGW customers produced from CRM system on 19/08/2015.</p> <p>Payments received from the customers in the sample since the setup of their GGW account were reviewed. In 25 of 50 cases all payments relating to individual customers could not be verified.</p> <p>On enquiry Audit was advised by the Contracts Manager (Waste & Refuse service) and Principal Waste Officer that in 24 cases these payments would have been received as cheques and in one case the payment was received via kiosk.</p> <p>The CRM system does not record and retain an audit trail of the payments received. Hence receipt of cheque payments and kiosk payments could not be verified by audit. We were therefore unable to complete this testing which also impact on the ability to carry out an overall reconciliation of income.</p> <p>Discussions with Management indicated that they are aware of the shortcomings in the system and an upgrade is required to automate the process and introduce additional functionality of ability to accept Direct Debit payments and retain historical data.</p>	<p>Loss of income due to lack of monitoring</p>	<p>Management should ensure that information on all receipts is retained so that income can be independently verified and reconciled.</p> <p>Going forward Management should explore system based solutions for collecting and recording income which have the functionality of collecting income by direct debit and retaining an audit trail of receipts.</p> <p>[Priority 1]</p>

Project Code: ENV/003/01/2015

Page 6 of 23

Page 8

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2	<p>A report of missed bin for GW collection for the period 01/04/2015 to 19/08/2015 was reviewed. Missed bins are reported by customers via phone or online form and are recorded on the CRM system.</p> <p>A sample of 5 addresses which have had multiple missed collections for the period stated above was selected from the report for further review to ensure that corrective action was taken and defaults were applied as per the contract for non-collection.</p> <p>The review of the CRM system highlighted that although the missed bins were collected by the contractor, no further action was taken to address the issue of repeated missed collections. As per the information on the CRM system 4/5 customers reported their missed collections online. In total they reported 31 missed bin 10 reported by one customer and 7 each by remaining 3 customers. It was noted that the missed collections that were reported online were always logged as stage 1 default on the CRM system despite the fact that the customer has had more than one missed collection. When queried audit was advised that the CRM system does not have the functionality to automatically update default stages and any</p>	Inadequate performance monitoring	<p>Management review is required to ensure that the online referrals for missed collections for all types of waste are escalated in line with procedures irrespective of the method of referral.</p> <p>Audit testing as part of this review was restricted to missed collections for GW. However this issue must affect all types of waste collection.</p> <p>[Priority 1]</p>

Page 9

Project Code: ENV/003/01/2015

Page 7 of 23

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation						
	<p>reported missed collection always defaults to stage 1. If the same missed collection was reported via phone, the waste advisers would have manually updated the default stage to reflect appropriate default stage.</p> <p>The schedule for default calculation as per contract for non-collection of garden waste specifies</p> <table border="1" data-bbox="286 671 1178 1121"> <tr> <td data-bbox="286 671 871 895">Stage One (failure to collect on scheduled time (unless an acceptable reason for failure is notified in advance to and approved by Supervising Officer or where access is not possible))</td> <td data-bbox="871 671 1178 895">£7.50 per property</td> </tr> <tr> <td data-bbox="286 895 871 1007">Stage Two (failure to rectify a Stage One default within the specified time)</td> <td data-bbox="871 895 1178 1007">£12.50 per property</td> </tr> <tr> <td data-bbox="286 1007 871 1121">Stage Three (failure to collect from any customer more than once in any four week period)</td> <td data-bbox="871 1007 1178 1121">£25 per property per occasion</td> </tr> </table> <p>To ascertain the extent of financial impact of the issue of default levels not being escalated for online missed collection</p>	Stage One (failure to collect on scheduled time (unless an acceptable reason for failure is notified in advance to and approved by Supervising Officer or where access is not possible))	£7.50 per property	Stage Two (failure to rectify a Stage One default within the specified time)	£12.50 per property	Stage Three (failure to collect from any customer more than once in any four week period)	£25 per property per occasion		
Stage One (failure to collect on scheduled time (unless an acceptable reason for failure is notified in advance to and approved by Supervising Officer or where access is not possible))	£7.50 per property								
Stage Two (failure to rectify a Stage One default within the specified time)	£12.50 per property								
Stage Three (failure to collect from any customer more than once in any four week period)	£25 per property per occasion								

Page 10

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>reports for GGW on the CRM system, the GGW missed collections reported for May 2015 were analysed.</p> <p>A total of 616 GGW missed collections were reported 361 online (59%) and 255 by phone in May 2015. These missed collections related to 513 customers; 448 customers reported one missed collection and 65 customers reported multiple missed collections (33 reported online, 14 reported by phone and 18 reported by a combination of online report and phone calls).</p> <p>The review of default calculation for May 2015 for recharging the contractor based on the reports generated from the CRM system however only highlighted 16 missed collections at default Stage 2 and 1 missed collection at default at Stage 3.</p> <p>Assuming all 48 multiple missed cases (65 total cases less 17 cases that were accounted for in default calculation for May 2015) would warrant escalation to Stage 2 or Stage 3 default, the under-recovery would be in the region of £600 to £1200.</p> <p>As part of this audit, only GGW missed collections were reviewed. It is a concern that the issue of default levels not</p>		

Page 11

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>being escalated for online missed collection reports on the CRM system affects all defaults reported online. The actual missed collections for all types of collections for the month of May 2015 were 2064.</p> <p>There are financial and performance implications resulting from this issue which require urgent Management attention.</p>		
3	<p>The process of generating reminders and administration of the renewal was reviewed. At the time of review, the reminder letters were generated on the day of expiry of accounts. Therefore renewal payments were always received in arrears. We believe Management have taken immediate action to rectify the issue.</p>	Loss of income due to poor procedures	<p>It is recommended that the reminder letters are issued 2 week before the renewal is due to ensure that the income is received and accounted by the renewal date. [Priority 2]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
4	<p>A sample of 15 GGW customers was reviewed to ensure that their GGW collections were only made if their accounts were up to date and if they have failed to make payment, recovery procedures have been actioned: The collection round sheets which were used by contractor to record the actual collection of GGW for the period August 2015 and September 2015 were interrogated to ascertain if collections took place for the customer in the sample. GGW was collected for all 15 customers however:</p> <ul style="list-style-type: none"> • One customer did not renew the account and was receiving free collections 2 months after expiry. No evidence of instruction to remove bin was seen. • Renewal payments for 3 customers were overdue by 5, 4 and 3 months respectively. As per termination procedure, collections should have stopped and bins should have been removed 2 weeks after renewal date. The payments from these customers, to cover the period mentioned above, have now been recovered, so there is no financial loss in these instances. 	Loss of income due to poor procedures	<p>Management review is required to ensure that all terminations are actioned on time. Instructions to stop collections and remove bins from non-payers should be communicated to contractor in a timely manner. [Priority 2]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
<p>1</p> <p>Project Code: ENV/003/01/2015</p> <p>Priority 1 Required to address major weaknesses and should be implemented as soon as possible</p>	<p>Management should ensure that information on all receipts is retained so that income can be independently verified and reconciled.</p> <p>Going forward Management should explore system based solutions for collecting and recording income which have the functionality of collecting income by direct debit and retaining an audit trail of receipts.</p>	<p>1</p> <p>Priority 2 Required to address issues which do not represent good practice</p>	<p>The process for the receipting and recording of cheque and Kiosk payments has now been reviewed, refined and put into place. Detail of the refined process is in Appendix D.</p> <p>Cheque payment reference slips used by the Collection & Deposit process (C&D payment) are entered against each customer's account when paying by cheques and prior to banking; the completed payment slip is scanned and retained. In addition, since April 2015, CRM has an auditing tool which will record any changes to the customer's account records, allowing a historical record of updated changes when a customer renews the service in subsequent years.</p> <p>Kiosk payment records are similarly controlled through scanning and recording of completed payments.</p> <p>Page 12 of 23</p>	<p>Contracts Manager (Waste & Refuse service) and Principal Waste Officer</p> <p>Priority 3 Identification of suggested areas for improvement</p>	<p>Completed - under review</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	(continued as above)	1	The service has meet with Finance, Exchequer and IT System Officers to explore options for the improvement of the receipting of income and the potential for Direct Debit payments for this service which currently cannot be accommodated. It was the opinion of the group that the current system of payment receipting represented the best value as the cost for Liberata to undertake this work would prohibitive. Regarding Direct Debit payments, the ASH Information Systems product has the potential to enable Direct Debit payments for the service. This option will be reviewed and progressed as the principle option to enable these payments.	Contracts Manager (Waste & Refuse service)	6-12 months
2	Management review is required to ensure that the online referrals for missed collections for all types of waste are	1	The CRM system has now been adapted to enable the automatic apportionment of an escalated default (stage 2 level) for any case which has	Contracts Manager (Waste & Refuse service)	6 weeks

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>escalated in line with procedures irrespective of the method of referral.</p> <p>Audit testing as part of this review was restricted to missed collections for GGW. However this issue must affect all types of waste collection.</p>		<p>been escalated within the CRM system, which is irrespective of the contact channel (includes voice recognition, web-form and telephone enquires). The system also has been adapted to enable any unjustified collection to be assigned a stage 1 level default as a starting value.</p> <p>In terms of repetitive missed collections, the assigning of stage 3 level default is dependent on the time period between missed collections. For weekly collections, the trigger level is >1 in a 4 week period and for every-other-week collections, the value is >1 in an 8 week period. This sensitivity requires an interrogation of previous missed collections at the address which is not achievable using voice recognition or web-based forms as the information is one directional. However, we are reviewing reporting</p>		

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			systems that will enable the assigning of stage 3 level defaults on a monthly basis when the monthly performance data is calculated. This should enable the retrospective assigning of defaults at this level on a monthly basis.		
3	It is recommended that the reminder letters are issued 2 week before the renewal is due to ensure that the income is received and accounted by the renewal date.	2	The process for the issuing of renewal letters for the service, reminder letters for payment and the cancellation of the service have been adapted as per guidance to ensure that customer payments are received at commencement of the next annual cycle. Please see Appendix E for details of the process and an example of the schedule for the issuing of renewal information to customers.	Contracts Manager (Waste & Refuse service)	completed
4	Management review is required to ensure that all terminations are actioned on time. Instructions to stop collections	2	As per above, the process for renewing the annual service has been enhanced to enable the collection of the container following the non-	Contracts Manager (Waste & Refuse service)	completed

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>and remove bins from non-payers should be communicated to contractor in a timely manner.</p>		<p>payment of the service within the first week of the new service cycle (within a maximum period of two weeks during peak periods as the collection of cancelled subscriptions occur in tandem with the delivery of containers to new customers). The service process of container removal requests issued to the contractor has also been reviewed and enhanced. Where previously the requests were collated and issued to the contractor weekly via an Excel spreadsheet, the individual requests for removal of containers is now processed daily via the CRM system which enables greater control of the information and the timeliness of actioning the request for container removal.</p>		

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

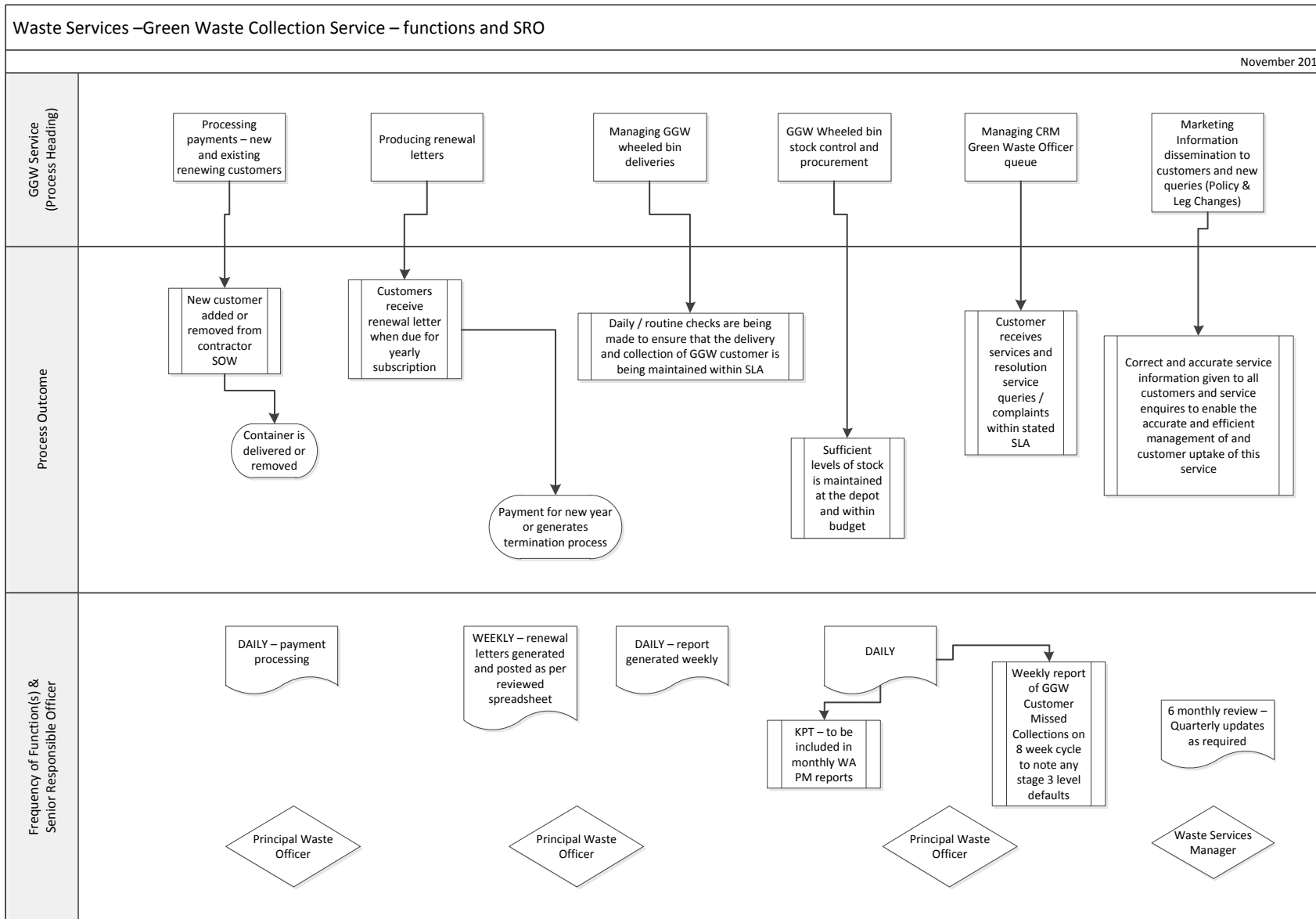
While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

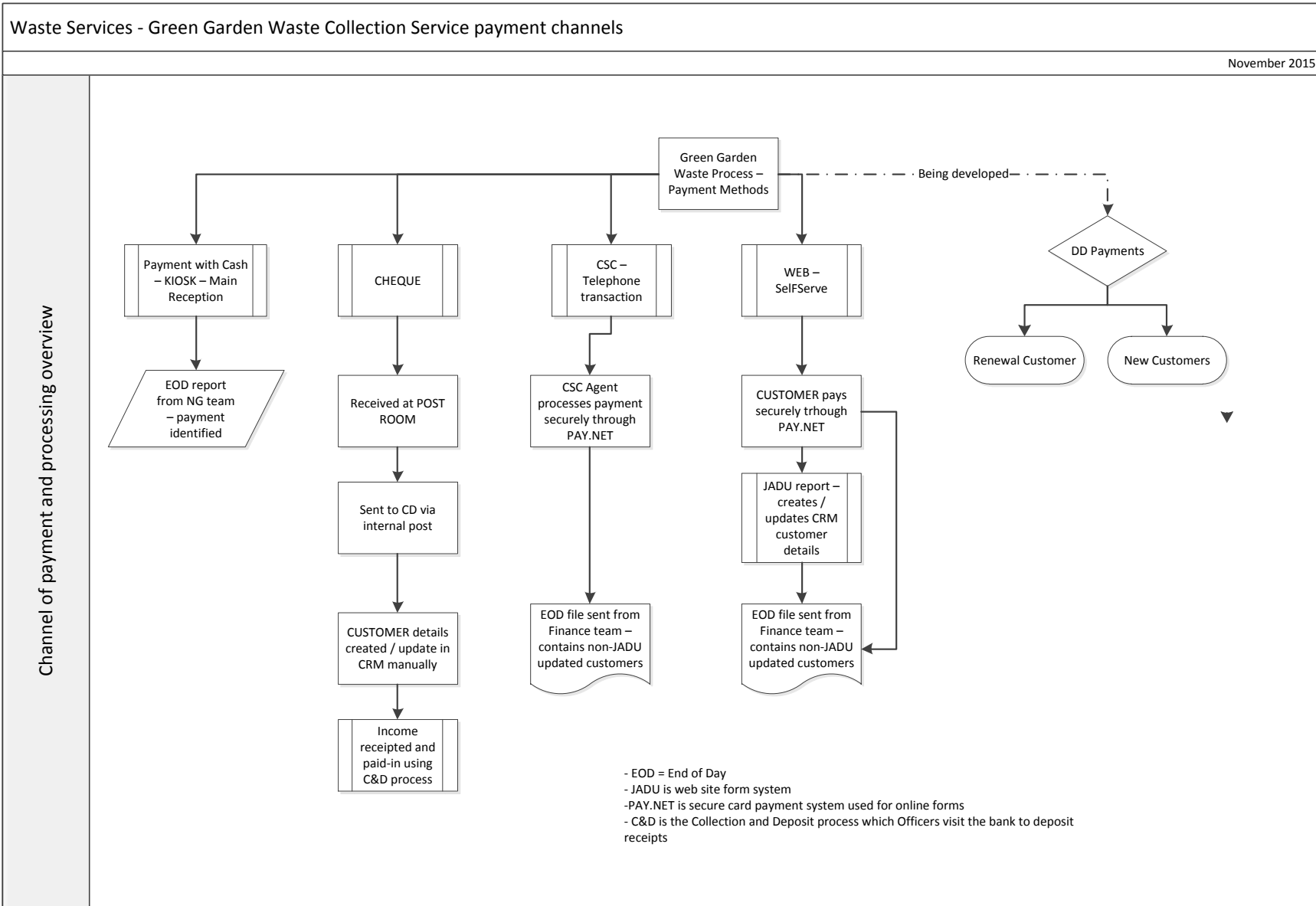
Limited Assurance

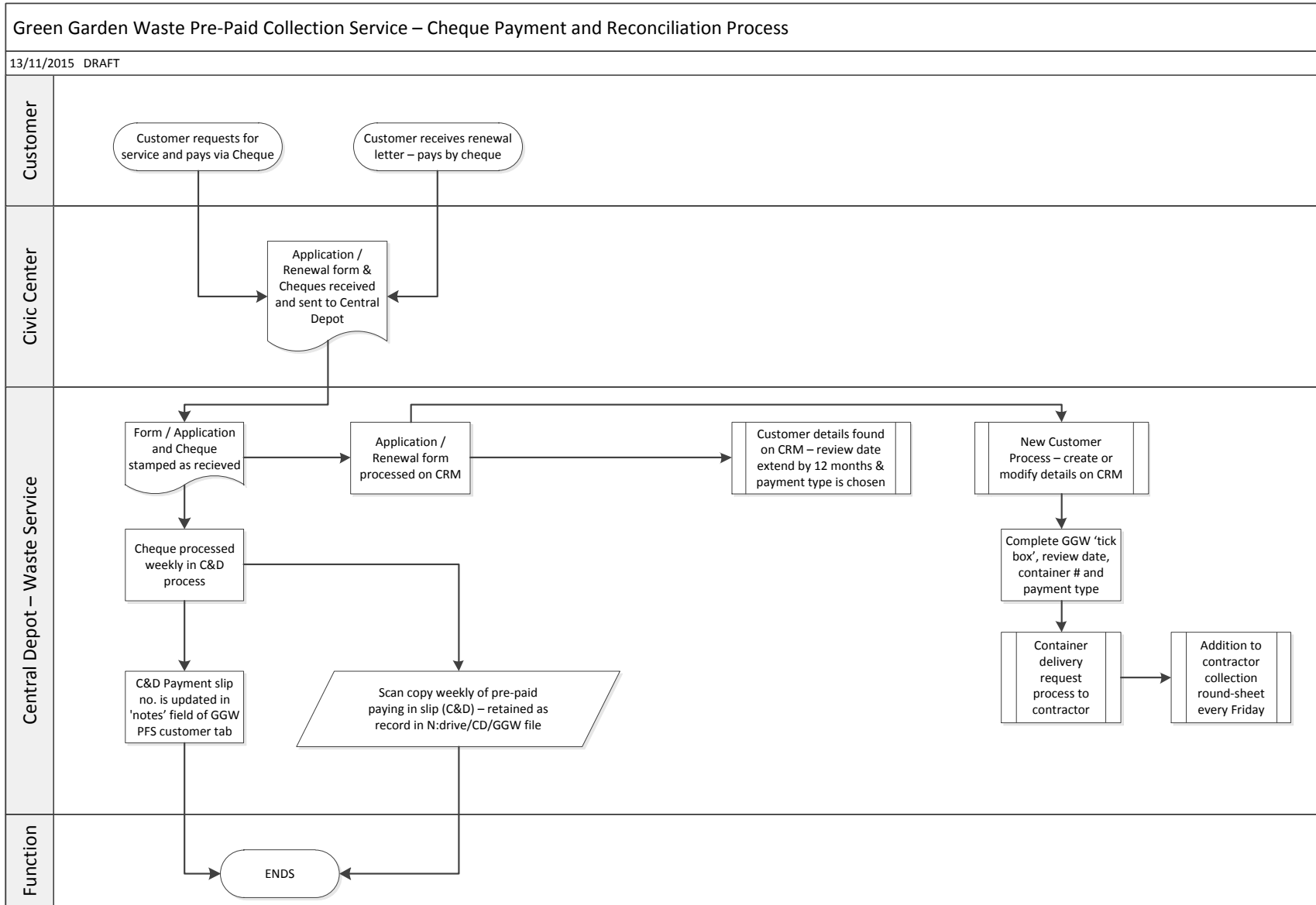
Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

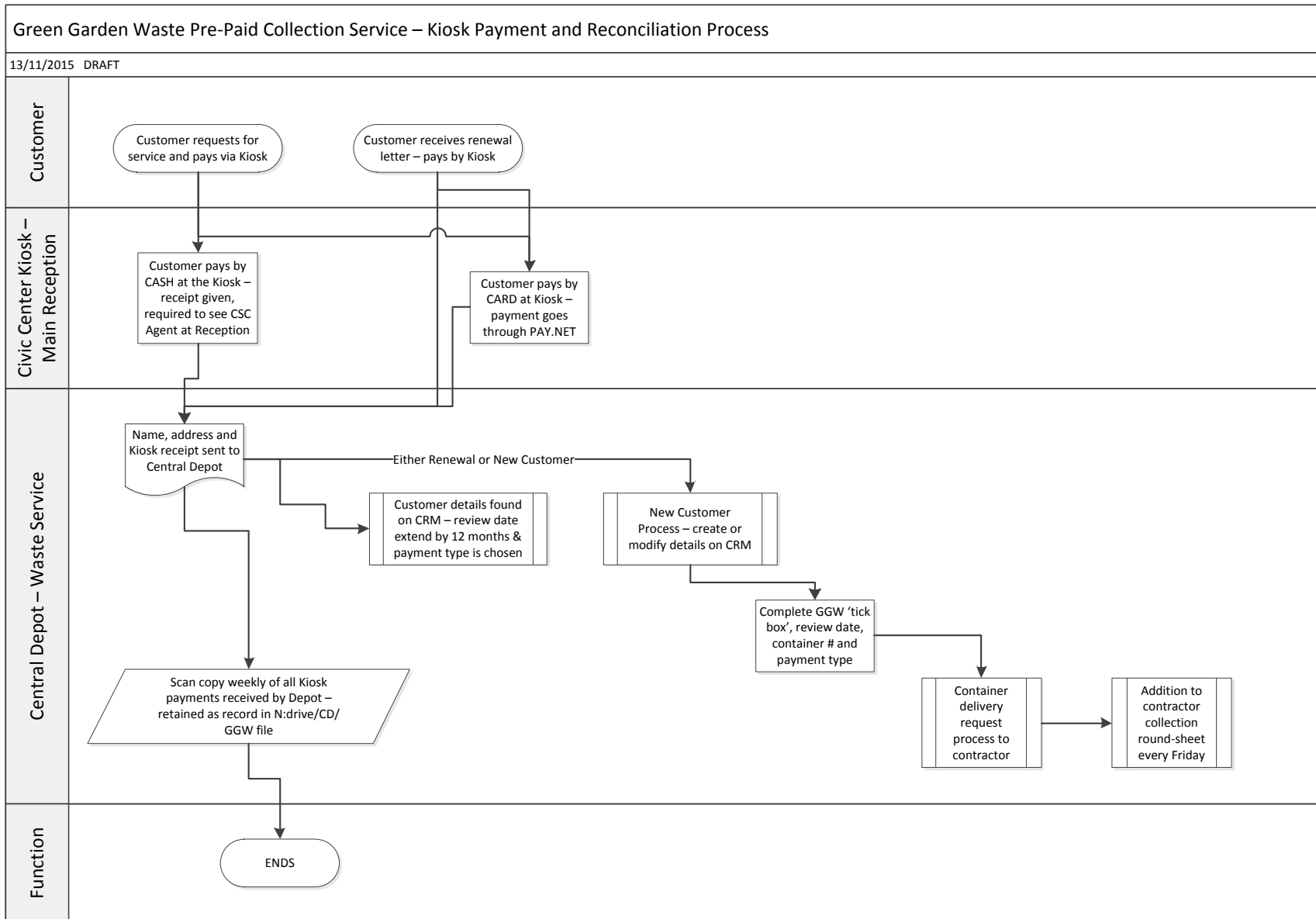
No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.



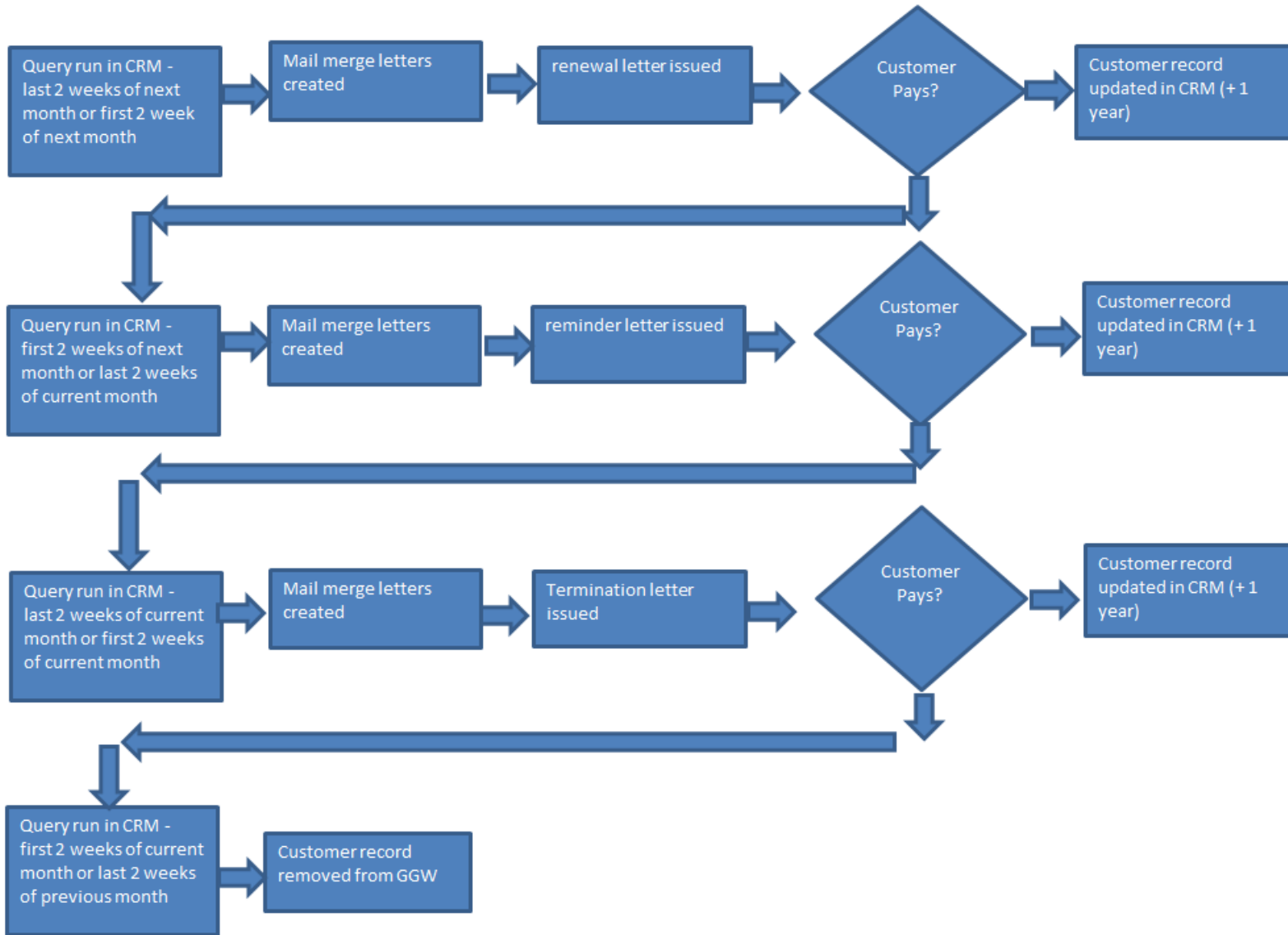






PROCESS AND SCHEDULE FOR RENEWAL LETTERS

APPENDIX E



PROCESS AND SCHEDULE FOR RENEWAL LETTERS

APPENDIX E

	Pattern A	first 2 week of next month	last 2 weeks of current month	first 2 weeks of current month	last 2 weeks of previous month
	Pattern B	last 2 weeks of next month	first 2 weeks of next month	last 2 weeks of current month	first 2 weeks of current month
Pattern		Renewal (Date range affected)	Renewal Reminder (Date range affected)	Termination (Date range affected)	Remove from GGW (any customer in non payment status, request for bin removal and untick GGW)
A	15/10/2015	01/11/2015 - 15/11/2015	16/10/2015 - 31/10/2015	01/10/2015 - 15/10/2015	16/09/2015 - 30/09/2015
B	31/10/2015	16/11/2015 - 30/11/2015	01/11/2015 - 15/11/2015	16/10/2015 - 31/10/2015	01/10/2015 - 15/10/2015
A	15/11/2015	01/12/2015 - 15/12/2015	16/11/2015 - 30/11/2015	01/11/2015 - 15/11/2015	01/11/2015 - 15/11/2015
B	30/11/2015	16/12/2015 - 31/12/2015	01/12/2015 - 15/12/2015	16/11/2015 - 30/11/2015	01/11/2015 - 15/11/2015
A	15/12/2015	01/01/2016 - 15/01/2016	16/12/2015 - 31/12/2015	01/12/2015 - 15/12/2015	01/12/2015 - 15/12/2015
B	31/12/2015	16/01/2016 - 31/01/2016	01/01/2016 - 15/01/2016	16/12/2015 - 31/12/2015	01/12/2015 - 15/12/2015
A	15/01/2016	01/02/2016 - 15/02/2016	16/01/2016 - 31/01/2016	01/01/2016 - 15/01/2016	01/01/2016 - 15/01/2016
B	31/01/2016	16/02/2016 - 29/02/2016	01/02/2016 - 15/02/2016	16/01/2016 - 31/01/2016	01/01/2016 - 15/01/2016
A	15/02/2016	01/03/2016 - 15/03/2016	16/02/2016 - 29/02/2016	01/02/2016 - 15/02/2016	01/02/2016 - 15/02/2016
B	29/02/2016	16/03/2016 - 31/03/2016	01/03/2016 - 15/03/2016	16/02/2016 - 29/02/2016	01/02/2016 - 15/02/2016
A	15/03/2016	01/04/2016 - 15/04/2016	16/03/2016 - 31/03/2016	01/03/2016 - 15/03/2016	01/03/2016 - 15/03/2016
B	31/03/2016	16/04/2016 - 30/04/2016	01/04/2016 - 15/04/2016	16/03/2016 - 31/03/2016	01/03/2016 - 15/03/2016
A	15/04/2016	01/05/2016 - 15/05/2016	16/04/2016 - 30/04/2016	01/04/2016 - 15/04/2016	01/04/2016 - 15/04/2016
B	30/04/2016	16/05/2016 - 31/05/2016	01/05/2016 - 15/05/2016	16/04/2016 - 30/04/2016	01/04/2016 - 15/04/2016

This page is left intentionally blank

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVES DEPARTMENT

PROPERTY MANAGEMENT AUDIT FOR 2014-15

Issued to: Mark Hume, Director of Regeneration and Transformation
Heather Hosking, Head of Strategic Property

Prepared by: Senior Auditor (Wandsworth Council of behalf of LBB)

Date of Issue: September 2015

Report No.: RD/015/01/2014

REVIEW OF PROPERTY MANAGEMENT AUDIT 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of Property Management. The audit was part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

AUDIT SCOPE

3. The scope of the audit is detailed in the Terms of Reference issued on 21st April 2015.

AUDIT OPINION

4. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

5. The audit reviewed controls in the following areas: Policies and Procedures, Valuing and Marketing the Land/Property, Legal, Planning and/or Financial Advice, Method of Disposal, Decision Making Process and Completion of Sale. A sample of 10 disposals/sales was selected for review.

REVIEW OF PROPERTY MANAGEMENT AUDIT 2014-15

6. No areas of concern were identified in the following areas:

Legal, Planning, Housing and/or Highways Advice;
Method of Disposal including proper evaluation and documentation of offers;
Decision Making to dispose of land/building, adequate responses to queries and authorisation of sale;
Completion including receipt of monies and updating the property terrier
Marketing of the proposed sale of land and buildings and that expressions of interest are followed up.

7. Stand alone procedures exist for Disposal by Tender, Disposals by Private Treaty and Disposals of Amenity Land that are accessible to relevant staff via a shared drive. There is also an Asset Management Strategy and Plan 2009/13 that has not been reviewed and updated due to other priorities. However, there is no overarching procedure that encompasses the whole process from defining land/property as being surplus to requirements through to disposal.

8. Independent valuations are not commissioned. Valuers within Strategic Property value the properties and provide estimates, and they do not consider that external valuations are required as properties are advertised on the open market, other than in special, and approved circumstances, and the offers received are analysed and will be indicative of the market value

SIGNIFICANT FINDINGS (PRIORITY 1)

9. None.

REVIEW OF PROPERTY MANAGEMENT AUDIT 2014-15

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

11. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Asset Management Strategy and Plan The Asset Management Strategy and Plan 2009/13 has not been reviewed and updated since June 2009.</p>	<p>Where policies and plans have not been reviewed, there is a risk the approach to managing the Council's land and property assets to ensure that they contribute to the achievement of corporate priorities may be inappropriate.</p>	<p>The Asset Management Strategy and Plan should be reviewed and updated. Subsequent reviews should periodically be undertaken to ensure it fulfils the Council's corporate priorities.</p> <p>[Priority 2]</p>
2	<p>Disposal Policy There is no overarching Disposal Policy that encompasses defining land/property as surplus to requirements through to disposal.</p>	<p>Where a policy does not exist that covers the entire disposal process, decisions/action may be taken that may result in the Council not maximising its income and in breach of legislation.</p>	<p>A Disposal Policy should be drawn up that incorporates the whole disposal process from identifying when land/property is surplus to requirements through to completion of the sale/disposal.</p> <p>[Priority 3]</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p>Independent Valuations An estimate of the market value of land/property to be sold is provided by Strategic Property in all cases. However, independent valuations are not obtained where the sale of and/property is negotiated and not via open marketing.</p>	<p>Although there is no legal obligation to obtain an independent valuation, by not obtaining one there is no evidence of transparency or independence which could result in challenges of non compliance with section 123 of the LGA 1972.</p>	<p>Where negotiated disposals are estimated to be greater than £50,000, an independent valuation should be commissioned to ensure transparency. The valuations should be included in Part 2 reports to Members and senior management at the appropriate stage of the process. [Priority 2]</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>The Asset Management Strategy and Plan should be reviewed and updated. Subsequent reviews should periodically be undertaken to ensure it fulfils the Council's corporate priorities.</p>	2	<p>There have been, and continue to be, resource issues in undertaking this exercise.</p>	<p>Asset Management Team Manager</p>	<p>March 2016</p>
2	<p>A Disposal Policy should be drawn up that incorporates the whole disposal process from identifying when land/property is surplus to requirements through to completion of the sale/disposal.</p>	3	<p>Agreed</p>	<p>Head of Strategic Property Services</p>	<p>December 2015</p>
3	<p>Where negotiated disposals are estimated to be greater than £50,000, an independent</p>	2	<p>Agreed subject to funding being made available to commission valuations.</p>	<p>Head of Strategic Property Services</p>	<p>Once funding has been</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	valuation should be commissioned to ensure transparency. The valuations should be included in Part 2 reports to Members and senior management at the appropriate stage of the process.				confirmed.

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

OPINION DEFINITIONS

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

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

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

This page is left intentionally blank

FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF DOWNE PRIMARY SCHOOL AUDIT FOR 2015-6

Issued to: Mrs S. Fuller, Headteacher
Mrs J. Grant, Chair of Governors
Schools Finance Team

Cc: Mrs D. Allum, Senior Admin and Finance Officer

Prepared by: Principal Auditor

Date of Issue: 28 August 2015

Report No.: ECH/P22/01/2015

REVIEW OF DOWNE PRIMARY SCHOOL AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of Downe Primary School Audit for 2015-6. The audit was carried out in quarter one as part of the programmed work specified in the 2015/16 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the school's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 22 May 2015. The period covered by this report is from 1 June 2014 to 31 May 2015.

AUDIT SCOPE

4. The scope of the audit is detailed in the Terms of Reference.

MANAGEMENT SUMMARY

6. Controls were in place and working well in the areas of financial management including budget monitoring, financial reports and returns to the London Borough of Bromley and primary accounting documentation including income, contracts, bank reconciliations and school meal accounts. In addition, governance arrangements at the school including governor minutes, budget approval, business interests and updating DBS checks were also working effectively.
4. Our testing identified the following :-
 - Orders are not always raised at the time of commitment to spend
 - The scheme of financial delegation has not been approved by the Governing Body since 2013

REVIEW OF DOWNE PRIMARY SCHOOL AUDIT FOR 2015-6

- The list of contracts and SLAs is not complete and the minutes of the Finance and Resources Committee do not confirm that it was presented to them for approval
- The asset register did not show all the serial numbers of laptops and cameras (this was pointed out and corrected during our visit)
- Members of staff sometimes use their own credit/debit cards to purchase items when necessary. The school should consider obtaining and using a purchase card.

SIGNIFICANT FINDINGS (PRIORITY 1)

5. There were no significant findings arising.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

6. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

AUDIT OPINION

7. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Opinion definitions are given in Appendix C.

ACKNOWLEDGEMENT

8. We would like to thank all staff contacted during this review for their help and co-operation.

MANAGEMENT ACTION PLAN

No.	Audit finding	Risk	Recommendation
1	The scheme of financial delegation was last approved by Governors in 2013. There has been a new Chair of the Finance Committee since then. It has not however been formally approved by the Governing Body since that time.	Financial delegation may not be adequate.	The current scheme of financial delegation is formally approved by the Governing Body and reviewed annually. [Priority 2]
2	A list of contracts and SLAs is maintained. It is presented to the Finance and Resources Committee in March each year and is signed off by the Chair Of Governors. The minutes of the meeting do not however show that it was presented, discussed and agreed. There is one contract for the London Grid for Learning which is not currently shown on the list and needs to be added.	Contracts may be let without following proper procedures and/or rolled over without proper approval.	The minutes of the Finance and Resources Committee meeting should record that the list of contracts and SLAs was presented, discussed and agreed. The contract for the London Grid for Learning should be added to the list. [Priority 2]
3	Our sample testing showed that orders had not been raised in advance in seven instances. These were for the London Grid for Learning, Treadgold Flooring, Chartwells, Edward Tyrell fencing, GJ Packman, Charmian Miran and NPower.	Commitments will not be shown on the budget monitoring information.	Ensure that orders are raised before invoices are received. For those suppliers where there is a contract in place, consider

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

No.	Audit finding	Risk	Recommendation
			raising an order at the start of the financial year for the estimated annual amount based on the contract price or previous year's total expenditure, so that there is an estimated amount of expenditure committed on the financial system in advance. [Priority 2]
4	One of the payments sampled was for flowers/chocolates purchased by the Senior Finance Officer for two students. On such occasions, staff use their own credit/debit card and reclaim the expenditure via the school's expenses system. A purchase card would preclude the need for this arrangement.	Payments may not be made in compliance with Financial Regulations and the school's own procedures. The Senior Finance Officer may not be made aware of expenditure incurred by school staff, leading to an inaccurate financial position.	The school should consider obtaining a purchase card. This would preclude the need for staff to use their own credit/debit cards and claim the expenditure back via the expenses system. [Priority 3]

Page 41

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

No.	Recommendation	Priority *Raised in Previous Audit	Management comment	Responsibility	Agreed Timescale
1	The current scheme of financial delegation is formally approved by the Governing Body and reviewed annually.	2	The scheme of financial delegation will be formally approved by the RFSPGP committee (finance) and approved by the Full Governing Body at the next following meeting. This will be done in Autumn term 2015 and then annually from Spring term (in line with budget setting procedures)	Headteacher Chair of Governors Chair of RFSPGP	Autumn term 2015
2	The minutes of the Finance and Resources Committee meeting should record that the list of contracts and SLAs was presented, discussed and agreed. The contract for the London Grid for Learning should be added to the list.	2	The list of the SLAs agreed will be formally recorded as accepted in the minutes of the RFSPGP committee annually (Spring term in line with budget setting procedures). The current list 2015-16 will be recorded in the minutes of the next meeting of RFSPGP (Autumn term 2015)	Headteacher & Finance officer, SAO to present to Governors. Chair of Governors Chair of RFSPGP	Autumn term 2015

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

No.	Recommendation	Priority *Raised in Previous Audit	Management comment	Responsibility	Agreed Timescale
3	Ensure that orders are raised before invoices are received. For those suppliers where there is a contract in place, raise an order at the start of the financial year for the estimated annual amount based on the contract price or previous year's total expenditure, so that there is an estimated amount of expenditure committed on the financial system in advance.	2	All orders as far as possible will be raised in advance and estimated orders are to be raised as suggested in audit feedback. (There were specific reasons for the payments without prior orders which were explained to the auditor at the time and he was satisfied with the explanations).	Finance Officer SAO	Autumn term 2015
4	The school should consider obtaining a purchase card for school use. This would preclude the need for staff to use their own credit/debit cards and claim the expenditure back via the expenses system.	3	Staff are requested to seek HT approval and an order is raised prior to spending. The acquiring of a school debit card will be investigated in Autumn term and a decision made (& approved by Governor RFSPGP committee)	Finance Officer SAO Headteacher Chair of Governors	Autumn term 2015

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

SCHOOLS OPINION DEFINITIONS

As a result of their audit work auditors should form an overall opinion on the extent that actual controls within the school provide reasonable assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the system and school procedures 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 schools finances. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to Governors, material income losses.

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.

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE DEPARTMENT

REVIEW OF COMMERCIAL PROPERTY RENTS AUDIT FOR 2014-15

Issued to: Heather Hosking, Head of Strategic Property
Neil Thompson, Principal Valuer - Management

Prepared by: Principal Auditor

Date of Issue: 02/10/2015

Report No.: ENV/016/01/2014.bf

REVIEW OF COMMERCIAL PROPERTY RENTS AUDIT FOR 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of Commercial Property Rents Audit for 2014-15. The audit was carried out in quarter 4 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 06/05/2015. The period covered by this report is from 01/04/2014 to 20/08/2015.
4. The budget for Properties held for investments was set to be £5,824,890 credit for 2015-16. The budgetary position as of July 2015 is £2,315,469 credit.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

7. A sample of 10 tenancies was selected from a schedule of the Council's main commercial property which is leased out. This included Green Belt (farms etc.). Information on Uniform system and Oracle system in respect of sampled properties was

REVIEW OF COMMERCIAL PROPERTY RENTS AUDIT FOR 2014-15

reviewed to ascertain that a signed Tenancy agreement was in place; Invoices have been raised and income has been collected; rent review has been undertaken as per the contract. Audit testing highlighted following issues

- **Information held on Uniform system is out of date for 2/10 tenancies reviewed as it was not promptly updated.**
- **Total income due may not have been invoiced for 1/10 tenancies.**

SIGNIFICANT FINDINGS (PRIORITY 1)

8. There is no priority one finding.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

10. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>A sample of 10 tenancies was selected from a schedule of the Council’s main commercial property which is leased out. This included Green Belt (farms etc.). Information on Uniform system and Oracle system in respect of sampled properties was reviewed to ascertain that a signed Tenancy agreement was in place; Invoices have been raised and income has been collected; rent review has been undertaken as per the contract. Audit testing highlighted that information held on Uniform system was not promptly updated for 2/10 tenancies reviewed.</p> <ul style="list-style-type: none"> • Property A - The lease document was uploaded on to the Uniform system 9 weeks after the lease was completed. • Property B - Uniform records have not been amended to record rent reduction which was agreed 12 years ago, however the correct amount was invoiced. There is also a duplicate account on Uniform system for this property. 	<p>Loss of income may occur due to out of date information</p>	<p>Information on Uniform system should be amended promptly to ensure that it is an up to date repository of council's Commercial properties.</p> <p>Periodic reconciliation should be undertaken between expected income as per Uniform system and invoiced income to ensure all expected income has been correctly invoiced by Liberata.</p> <p>[Priority 3]</p>
2	<p>Audit testing of the sample of 10 tenancies selected from a schedule of the Council’s main commercial property also highlighted that total income due may not have been invoiced for tenant in respect of property C.</p>	<p>Loss of income may occur due to failure to ascertain and invoice total income due.</p>	<p>Enquires should be made annually with the tenant for leases where additional income may</p>

Page 48

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	Currently, the caution system on Uniform would flag up the need to check whether any further Licence fee was due to the Council at rent review in five years' time. This elapse time to ascertain and invoice income due is not satisfactory.		<p>become due during the course of lease to ascertain any additional income due.</p> <p>[Priority 2]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>Information on Uniform system should be amended promptly to ensure that it is an up to date repository of council's Commercial properties.</p> <p>Periodic reconciliation should be undertaken between expected income as per Uniform system and invoiced income to ensure all expected income has been correctly invoiced by Liberata.</p>	3	<p>This is already being undertaken. We do not accept the conclusion that you have come to with regard to property A</p> <p>The findings on property B are accepted.</p> <p>We already have regular meetings with Liberata to address this. A report of all invoices raised is being requested from the Finance team.</p>	Principal Valuer-Management	Quarterly meetings
2	<p>Enquires should be made annually with the tenant for leases where additional income may become due during the course of lease to ascertain any additional income due.</p>	2	<p>Agreed. We are going to identify a list of tenancies where the rents vary annually or where there is the potential for additional rent to be paid between reviews, so that appropriate cautions are entered on to Uniform database system</p>	Principal Valuer-Management	01/02/2016

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
-------------	----------------	------------------------------------	--------------------	----------------	------------------

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT

REVIEW OF DIRECT PAYMENTS AUDIT FOR 2015-16

Issued to: Claudine Douglas Brown, Exchequer Manager
Tricia Wennell, Head of Service, Assessment and Care Management
Susan Phillips, Head of Service for Safeguarding & Care Planning

Cc: Mark Smith, Service Manager Social Work & Short Breaks
Anne Watts, Assistant Direct, Strategic & Business Support Services
David Bradshaw, Head of ECHS Finance (Final Version only)

Prepared by: Principal Auditor

Date of Issue: 14th September 2015

Report No.: ECH/035/01/2015

REVIEW OF DIRECT PAYMENTS AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of Direct Payments Audit for 2015-6. The audit was carried out in quarter Q1 as part of the programmed work specified in the 2015-16 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 24/04/15. The period covered by this report is from January 2014 to April 2015.
4. The Council has spent £5,865,071 in 2014/15 on Direct Payments. It has contracts with contractor 1 (annual value £35,000) to provide payroll services for carers and Contractor 2 to provide support to clients (annual value £118,000).

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of:
 - Payments are only made to those who are eligible to receive Direct Payments

REVIEW OF DIRECT PAYMENTS AUDIT FOR 2015-6

- Sufficient contract monitoring is undertaken of contracts related to Direct Payment.
 - Correct levels of payments are calculated and paid
 - Payments are made for the purpose intended
8. However we would like to draw to Management's attention the following issues:
- Instances of excess balances have been identified where funds have not been reclaimed.
 - Some clients do not have an authorised support plan and others have not been reviewed in over 15 months.
 - There is no mechanism to ensure carers are DBS checked.
 - For some clients the DP5 (the binding contract between LBB and client) documents could not be found.
 - Procedures for chasing up clients who do not return monitoring information are not always followed.
9. Samples tested during the audit were 25 clients who are receiving direct payments (15 adults and 10 children), the top 10 balances held in clients accounts and 23 clients where monitoring had not been able to be completed for quarter four 2014.

SIGNIFICANT FINDINGS (PRIORITY 1)

10. There were no significant findings identified during the audit.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

12. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Testing of a sample of the 10 accounts with the highest level of balance found that sufficient action to recover or use the balance was taking place in 8 instances. For the other 2, over 8 weeks payments are in the clients account, with no justifiable reason and action has not been taken to recover the balance. (P4053 £12782.89 and P1497 £8853.80)</p> <p>From testing the random sample of 25 clients who are receiving direct payments it was found that in 5 instances client accounts have gone over 8 weeks' worth of payments and insufficient action has been taken to recover this amount. (P13830, P9584, P58264, P116095 and P108713)</p>	<p>Clients may not be receiving the levels of care they are assessed as needing.</p>	<p>Client balances that exceed 8 weeks payments should be clawed back or queried why money is not being spent. [Priority 2]</p>
2	<p>Testing of a sample of 25 people who are receiving direct payments established that of 25 that it was possible to test have had an initial care assessment carried out. The 15 adults that it was possible to test have all had a DP1 (request for direct payment form) completed as do the 10 children.</p> <p>However for 1 client their DP5 (the binding contract between LBB and client) could not be found (P20990) and for another client the DP 5 was not signed until a year after the client had started receiving direct payments (P58264).</p> <p>It was also found that for 1 adult (P4458) and 2 children (P9584, P9130) they did not have an approved support plan</p>	<p>Client's circumstances change and level of care is not adjusted to reflect this.</p>	<p>DP5s should be signed by all clients receiving direct payments.</p> <p>Consideration should be given to getting clients to sign the updated DP5 document.</p> <p>Support plans should be completed for all clients and clients reviewed annually</p>

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>and that for 1 adult (P52238) and 1 child (P42520), their support plans have not been reviewed in nearly 2 years.</p> <p>Following the 2012-13 audit it was recommended and accepted that the DP5 document would be amended to allow for Bromley to prosecute any clients who had fraudulently claimed or spent funds. 11 of the sample tested had not signed a new DP5 document, since 2012.</p>		<p>[Priority 2]</p>
3	<p>During the audit it was identified that there is no mechanism for ensuring that carers employed by clients are DBS checked. Contractor 2 will offer to undertake this service, though not all clients use them.</p>	<p>Clients may employ carers who are not appropriate.</p>	<p>Consideration should be made into checking that carers employed are suitable DBS checked. [Priority 3]</p>
4	<p>Testing of a sample of 25 clients who are receiving direct payments found that for 23 of the clients sufficient monitoring information had been provided, or the account had been escalated and closed as per agreed procedures. For the 2 where this was not the case, in one instance (MS P104250) timesheets have not been provided for several periods, but this has not been chased up. In the other instance SW, P240521, monitoring has also been returned though constantly missing receipts or bank statements. Several unexplained cash withdrawals have also been made. It was also found that</p>	<p>Money intended for client care may be spent on inappropriate items.</p>	<p>Procedures for ensuring clients return monitoring information should be followed. [Priority 2]</p>

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>receipts were not always being returned for all expenditure, though clients were not being chased for these (P214314 and P108713).</p> <p>An additional sample of 23 clients was selected from the monitoring spread sheet, where it had not been possible to complete the monitoring for Quarter 4 2014. These were tested to check if they had been escalated correctly. In 20 of these cases they had been correctly escalated, or a reason given for non-return of monitoring information. In one instance (BR P65004) it has been escalated to the Care Manager, but no further action has been taken. In another instance (FB P83667 it was escalated to the Care Manager, and although the family have been contacted, there remains missing documentation). In the final instance (DB P21143) the Direct payment ended and final monitoring was not received nor any money returned. Contractor 3 asked the Care Manager to request this, but has not been received.</p>		

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Client balances that exceed 8 weeks payments should be clawed back or queried why money is not being spent.	2	Client balances over 8 weeks are queried and clawed back where appropriate to do so. In some cases contagious is appropriate above 8 weeks. Care managers would need to document this on a support plan. Issues directive to care managers.	Operations Manager (Contractor 3)/Head of Exchequer Services Head of Assessment and Care Management	31/08/15 September 2015
2	DP5s should be signed by all clients receiving direct payments. Consideration should be given to getting clients to sign the updated DP5 document. Support plans should be completed for all clients and clients reviewed annually	2	Reminder of process sent round to all staff in adult services. Updated DP5 will be signed at the point for review. DP5s to be discussed with LBB contractors.	Head of Assessment and Care Management Group Manager Disabled	September 2015 (Ongoing over the next 12 months August 2016) September 2015

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			<p>P20990 –Team have been significantly involved with family relating to the monitoring of DP. Allocated worker, BB to contact Contractor 2, DL to ask this be completed.</p> <p>P9130 – Action Plan completed on CareFirst.</p> <p>P9584 – Is an adult case now.</p> <p>P42520 – Review Assessment and Action Plan require updating from February 2014</p>	Children’s Team	
3	Consideration should be made into checking that carers employed are suitable DBS checked.	3	<p>This is not the responsibility of LA for adults. SU/Authorised person are advised recommended to do this.</p> <p>Action has already been initiated to review DP policy to include using</p>	<p>Head of Assessment and Care Management</p> <p>Group Manager Disabled</p>	<p>September 2015</p> <p>December 2015</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			<p>DP to provide overnight support. This review will also include the procedures for completing and monitoring DBS checks. In children's services we strongly recommend the completion of DBS checks, which is facilitated by Contractor 2.</p>	<p>Children's Team</p>	
4	<p>Procedures for ensuring clients return monitoring information should be followed</p>	2	<p>The monitoring procedures will be followed and the client records will be updated in CareFirst and the monitoring database to reflect action taken.</p> <p>Staff will be refreshed regarding the procedures to execute queries as followed up.</p> <p>For Children's cases identified, the actions were eventually completed, though the cases will be reviewed by the Group Manager.</p>	<p>Operations Manager (Contractor 3)/Head of Exchequer Services</p> <p>Head of Assessment and Care Management</p> <p>Group Manager Disabled Children's Team</p>	<p>August 2015</p> <p>September 2015</p> <p>September 2015</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
--------------------	-----------------------	---	---------------------------	-----------------------	-----------------------------

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

This page is left intentionally blank

FINAL INTERNAL AUDIT REPORT
REGENERATION & TRANSFORMATION DEPARTMENT

REVIEW OF PLANNING AUDIT FOR 2014-15

Issued to: Development Control Manager (Enforcement & Appeals),
Head of IT,

Cc: Head of Finance, ESD,
Director, Regeneration & Transformation,

Prepared by: Principal Auditor.

Date of Issue: September 14th 2015

Report No.: ENV/004/02/2014.bf

REVIEW OF PLANNING AUDIT FOR 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of **Planning Audit for 2014-15**. The audit was carried out in quarter 1 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 23/2/2015. The period covered by this report is from April 2014-March 31st 2015.
4. The planning enforcement team undertake the monitoring of development and investigate any potential breaches of planning controls. The team will investigate alleged breaches including :-
 - Unauthorised building development
 - Unauthorised changed of use
 - Non-compliance with plans or conditions
 - Protection of listed buildings and conservation areas
 - Unlawful advertisements
 - Untidy sites
5. In the period April 2014 to March 2015 the Council received 649 new complaints about alleged breaches of planning control. A wide range of complaints are received but the most frequent, to date, relate to operational development (35%), change of use (15%), development not built in accordance with plans (13%), untidy sites (12%) and breach of conditions (10%). A substantial number of complaints are received which do not involve breaches of planning control which are not recorded on the enforcement monitoring system.
6. 'The local planning authority may consider that the development may not comply with the permission and therefore has the power to undertake enforcement action. Local planning authorities have discretion to take enforcement action, when they

REVIEW OF PLANNING AUDIT FOR 2014-15

regard it as expedient to do so having regard to the development plan and any other material considerations. Development becomes immune from enforcement if no action is taken:

- Within four years of substantial completion for a breach of planning control consisting of operational development;
- Within four years for an unauthorised change of use to a single dwelling house;
- Within ten years for any other breach of planning control (essentially other changes of use).

7. An enforcement notice should enable every person who receives a copy to know:
 - exactly what, in the local planning authority's view, constitutes the breach of planning control; and
 - what steps the local planning authority require to be taken, or what activities are required to cease to remedy the breach.The local planning authority must enclose with the enforcement notice information about how to make an appeal.
8. It is an offence not to comply with an enforcement notice, once the period for compliance has elapsed, and there is no outstanding appeal.
9. A person guilty of an offence is liable, on summary conviction, to a fine currently not exceeding £20,000 or on conviction on indictment to an unlimited fine'.(Planning Portal). In cases where an enforcement notice has been effective and not been complied with, the Council may exercise its powers of prosecution. The Council's solicitors are currently in the process of prosecuting two cases.
10. The budget for planning enforcement for 2014/15 was £396,660 and is subsumed within planning overall.
11. There is an overspend across other running expenses of £34k which mainly relate to staff advertising / recruitment costs incurred during the process of filling vacant posts. Within legal expenses, there was an overspend of £72K. This was due to a combination of appeal costs, where claims have been submitted to the Council following successful appeals.

REVIEW OF PLANNING AUDIT FOR 2014-15

12. This audit concentrated on the planning enforcement service and also the implementation of the lessons learnt for the investigation completed in August 2014.
13. The lessons learnt included the following areas:-
 - (a) In cases where staff receive warnings for abuse of systems, line management should ensure that these individuals are adequately monitored to ensure that the appropriate and expected improvements are made.
 - (b) All staff within the Authority should be reminded on a regular basis (annual) of their responsibilities when using the Internet and their use of Council equipment, including their responsibility to control passwords, fobs and the sharing of laptops. It is equally important that all staff are reminded that Council equipment should only be used for Council related work. The electronic circulation of relevant policies will suffice.
 - (c) Departments should ensure that they maintain up-to-date records of assets (including laptops) and ensure that movements of these assets between staff or taken offsite are comprehensively recorded.
 - (d) Line management need to be aware of their responsibilities regarding the completion of staff PADS and to ensure that these are completed at the appropriate times during the year.
 - (e) Line management need to be aware of their responsibilities regarding the maintenance of the required records for staff absence (including TOIL), and for the completion of staff sickness returns, in accordance with current procedures.
 - (f) Line management need to ensure that they familiarise themselves with staff arrival and departure times, and ensure that staff are meeting their contractual responsibilities.
 - (g) Management need to carefully consider the implications when deciding on the level of action to be taken against individuals when reprimanding questionable behaviour.
 - (h) The Authority needs to consider the benefits of purchasing the appropriate system support package to enable more detailed data to be obtained on staff's internet usage. This includes the reporting of entry/closing timescales of internet site activity.
 - (i) There needs to be clarification within existing Codes of Practice/Conduct that the instructions/guidelines relate to both hardware and software.
14. This audit was also approved by Members of Audit Sub Committee to include a value for money assessment. (see below).

AUDIT SCOPE

15. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

16. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

17. Internal Audit would like to bring the following to management's attention:-

- Updating codes of practice/ conduct.
- Asset Register was not readily available.
- Enforcement Policy targets were found to be ineffective

The service has undergone a period of instability following the outcome of the investigation with staff changes and the need for change management.

REVIEW OF PLANNING AUDIT FOR 2014-15

18. Value For Money

The outcome of the value for money assessment would be a 3.

This would equate to VfM arrangements being substantially met (e.g. benchmarking is complete with figures substantiated; benchmarking shows that the section is generally performing well in comparison with other Authorities).

A benchmarking exercise was completed in 2014/15.

- For Planning and Development Services, Bromley's unit costs were 12.1% lower than the nearest neighbour average and were ranked 12th highest in the group. Compared to other authorities across England, Bromley's unit costs were 53.3% lower than average. Its unit costs were ranked 106th highest out of 123 comparable authorities (with 1 the highest cost).
- Customer satisfaction feedback is regularly requested. Results indicate a satisfaction level of around 62% which is around the average for Local Planning Authorities based on the last available national data.
- Complaints are monitored but improvements are suggested. See Finding 3.
- Liaison with other Authorities performing well is undertaken. Improvements have been made in the time taken to determine planning applications; reduce the number of pending planning applications and enforcement cases and improve staff management in the Enforcement and Appeals team.
- The planning service overall is within budget. However, within planning enforcement, there are overspends within other running expenses of £34K and legal expenses. However, these have been offset by other areas.
- Income has increased in respect of planning applications of approximately 13%.
- Zero based budgeting has not been utilised.

SIGNIFICANT FINDINGS (PRIORITY 1)

19. None.

REVIEW OF PLANNING AUDIT FOR 2014-15

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

20. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

21. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p><u>Codes of Practice/ Conduct</u> Clarification was found to be required of the existing codes of practice/ Conduct as part of the investigation completed in August 2014. The Technology Manager advised that the Information Assurance Manager had been working with HR on this, but this has not progressed due to lack of resources.</p>	<p>Staff may be working to different working practices.</p>	<p>There needs to be clarification within existing Codes of Practice/Conduct that the instructions/guidelines relating to both hardware and software.</p> <p>[Priority 2]</p>
2	<p><u>Asset Register</u> An asset register was provided on 15/7/15 by the Principal Conservation Planner. It was found that LBB asset numbers had not been completed for all assets and for other items the whereabouts of the items were unknown.</p>	<p>Ineffective control over assets.</p>	<p>Departments should ensure that they maintain up-to-date records of assets (including laptops) and ensure that movements of these assets between staff or taken offsite are comprehensively recorded.</p> <p>[Priority 3]</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p>Enforcement Policy Within the planning enforcement policy it states that '<i>Effective enforcement is important as a means of maintaining public confidence in the planning system and advises Local Planning Authorities to consider publishing a local enforcement proactively</i>'. It should be noted that there are targets included within the enforcement policy that are not actually targets that the service are measured against. They are merely aims. The policy states;- 'Complainant – targets and timescales • Complaint acknowledged within 5 working days • Site visit within 5 working days wherever possible • Complainants advised of progress at significant stages throughout the process • Notify complainant when notice issued within 10 working days • Notify complainant if appeal lodged within 10 working days • Notify complaint of closed case and reasons why within 10 working days'. Through testing, it was found that the fields relating to the complaint within the Uniform system are not always completed which monitor the actual response time (days) and the actual</p>	<p>Complaints may not be dealt with promptly.</p>	<p>The enforcement policy should be updated to include actual measures for targets and timescales.</p> <p>Fields within Uniform for monitoring complaints targets should be activated to ensure that the relevant data is collected and measured.</p> <p>The department should be acknowledging the complaint within a set process and not by an automated email.</p>

Project Code: ENV/004/02/2014.bf

Page 9 of 14

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>resolution (days). The date the complaint was received should be logged as well as the date the complaint is acknowledged.</p> <p>The Auditor queried this with the Planning Investigation Development Control Manager and it was explained that staff have not been physically able to complete these fields but only in the last month or so.</p> <p>Additionally, the complainant will generally send in a complaint in writing, by letter, email or via the standard complaint form on the Council's website. Emails are sent to the planning investigation team mailbox and they will receive an automatic response for which the service is counting as an acknowledgement to the complaint.</p> <p>It was found that further clarification should be made in relation to the enforcement notices. In relation to the issuing of enforcement notices generally there can be delay of some months from when the original complaint was made.</p> <p>Enforcement notices are formal legal documents that will require the owner or occupier to take specific steps to remedy the planning breach in a specified time. If the notice is not complied with, the planning breach will become a criminal</p>	<p>Reputational risk to the Authority.</p>	<p>Further clarification should be made within the policy in respect of likely resolution times to proactively inform residents.</p> <p>[Priority 2]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	offence which may be liable to prosecution. However the notice may be appealed to an independent government Planning Inspector and therefore the Enforcement Notice is suspended (whilst the appeal is ongoing.) The complainant is left to contact the Council again to be updated on progress.		

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<u>Codes of Practice/Conduct</u> There needs to be clarification within existing Codes of Practice/Conduct that the instructions/guidelines relate to both hardware and software.	2*	We have a new technology manager starting in October, who will be covering some of the information assurance work until we appoint a new person in that role. We will prioritise the clarification of the codes of conduct and resolve before 31/12/2015.	Technology Manager/Head of IT.	31/12/15
2	<u>Asset Register</u> Departments should ensure that they maintain up-to-date records of assets (including laptops) and ensure that movements of these assets between staff or taken offsite are comprehensively recorded.	3	Action will include: - -Confirmation of responsibility; -Record to be up-to-date; -Movements to be fully recorded; -Six monthly monitoring by line manager	Planning – Head of Development Plan & Planning Strategy	1/12/2015

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	<u>Enforcement Policy</u> The enforcement policy should be updated to include actual measures for targets and timescales.	2	Policy to be updated and reported to DCC November 2015.	Planning – Development Control Manager (Enforcement & Appeals)	25/11/15
	Fields within Uniform for monitoring complaints targets should be activated to ensure that the relevant data is collected and measured.		Fields to be activated.		30/09/15
	The department should be acknowledging the complaint within a set process and not by an automated email.		New acknowledgment system to be designed and introduced.		30/10/15
	Further clarification should be made within the policy in respect of likely resolution times to proactively inform residents.		Policy to be updated and reported to DCC Nov 2015.		25/11/15

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF MERIT PAY - PRP AUDIT FOR 2014-15

Issued to: Doug Patterson, Chief Executive
Charles Obazuaye, Director of HR
Pete Turner, Director of Finance
Barbara Plaw, Head of HR Strategic Services

Prepared by: Principal Auditor

Date of Issue: 14/07/2015

Report No.: CX/001/02/2014.bf

REVIEW OF MERIT PAY - PRP AUDIT FOR 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of **Merit Pay - PRP Audit for 2014-15**. The audit was carried out in Q4 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 02/02/2015. The period covered by this report is from April 2013 to March 2014.
4. A total of £100,175 was paid as Merit Pay Award to 143 staff for the period 2013-14.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the controls in the areas tested. Definitions of the audit opinions can be found in Appendix A.

MANAGEMENT SUMMARY

7. The scope of the audit was limited to testing that
 - Nominations were duly received for Merit Awards and were approved in accordance with agreed procedure
 - The vouchers purchased and allocated as part of Merit Pay Scheme were accounted for and reconciled.

REVIEW OF MERIT PAY - PRP AUDIT FOR 2014-15

8. A sample of 10 staff was randomly selected from a list of all staff who received Merit Pay Award for their performance in 2013-14. Documentary evidence of nomination from their line manager was sourced and checks were undertaken to ensure that they were approved in accordance with agreed procedure. 10/10 staff reviewed in the sample were nominated for the award and the nomination was approved in accordance with agreed procedure.
9. Merit Pay is awarded as gift vouchers from selected high street shops. A reconciliation of vouchers purchased was undertaken to ensure that the amount of vouchers purchased equalled amount distributed as Merit Pay. A total of £100,175 worth of vouchers were distributed. Each Merit Pay payment was supported by signed receipt from the recipient.
10. It was noted that the current procedure could be further strengthened by including a final check before payment to ensure that staff due to receive the Merit Award are now not subject to any intended or ongoing formal performance procedure. This suggestion was discussed with Director of HR who agreed to consider it at the time of review of the current Merited Reward Scheme for the awards to be made in respect of 2015-16, in particular an addition advising staff that approved awards can be withheld or withdrawn if there are matters arising that warrant investigation or disciplinary proceedings.

SIGNIFICANT FINDINGS (PRIORITY 1)

11. There is no priority one finding in this report.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

12. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified and suggested recommendations to management are as stated in management summary above.

ACKNOWLEDGEMENT

13. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE & HEALTH DEPARTMENT

FOLLOW UP AUDIT OF FAMILY PLACEMENTS FOR 2015-6

Issued to: Head of Social Care, Care & Resources,
Assistant Director, Children's Social Care,
Assistant Director, Commissioning,
Strategic Commissioner,
Head of Finance, ECS Finance,
Exchequer Manager,
Cc: Assistant Director, Strategic Development & Performance,

Prepared by: , Principal Auditor.

Date of Issue: September 7th 2015
Report No.: ECH/010/01/2014

FOLLOW UP AUDIT FAMILY PLACEMENTS FOR 2015-16

INTRODUCTION

1. This report sets out the results of our follow up audit of Family Placements for 2015-16. The audit was carried out in quarter 1 as part of the programmed work specified in the Internal Audit Plan, agreed by the Director of Resources and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

AUDIT SCOPE

3. This follow up review considered the Family Placements Audit for 2014-15. The final report was issued on 23/9/14 and this review considers the progress made on implementing the previously agreed recommendation.

MANAGEMENT SUMMARY

4. From the previous review, fifteen recommendations were made of which there were 8 priority one recommendations; 6 priority two recommendations and 1 priority three recommendation. It was found that out of the fifteen recommendations made, 7 were found to be outstanding; 4 were found to have been partially implemented and 4 had been fully implemented. One recommendation has increased in the priority rating.

SIGNIFICANT FINDINGS (PRIORITY 1)

5. From the 15 recommendations made within the 2014-15 report, 8 of them related to priority one recommendations. It was found that insufficient progress had been made in implementing the following seven recommendations relating to :-
 - Overpayments
 - Savings
 - Legal Orders
 - Kinship or connected persons allowances
 - Residence Order Allowances
 - Special Guardianship Order Allowances
 - Training

FOLLOW UP AUDIT FAMILY PLACEMENTS FOR 2015-16

6. It was found that satisfactory progress had been made in respect of the recommendation on adoption allowances.
7. Through testing it was found that the original recommendation on DBS/CRB checks that was originally classified as a Priority two recommendation has now been increased to a Priority one recommendation, due to lack of risk assessments and increased visiting that should be to be undertaken when there is a delay in the return of the DBS Checks. This was due to identified carers having a child or children placed with them and not a valid DBS check being in place.
8. Management should note the contents of the report and the requirement to implement these recommendations as a matter of priority. The outcome of this follow up has been reported to Audit Sub Committee who are expected a further update in the November 2015.

DETAILED FINDINGS/MANAGEMENT ACTION PLAN

9. The remaining recommendations related to six priority two recommendations and one priority three recommendation which included the following areas:-
 - DBS Checks – this has now been re-classified as a priority one recommendation.
 - Notification to HMRC of Child Benefit Termination
 - Contract documentation & waivers
 - Adoption Records held electronically
 - Unit Cost Data
 - Procedures
 10. A new recommendation has been made as contract extension letters and the funding approval could not be located for the IFA contracts.
- Appendix A provides information on the recommendations that are being followed-up. Appendix B of this report details recommendations that are being progressed for completion and are re-recommended and any new findings arising during the follow up. The progress made on these recommendations has been acknowledged in the follow up comments but a revised target date should be detailed on the management action plan. Appendix C gives definitions of the priority categories.

ACKNOWLEDGEMENT

12. We would like to thank all staff contacted during this review for their help and co-operation.

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
<p>1. <u>Overpayments</u> Processes must be revisited and must be more robust to prevent overpayment situations arising. Service agreements within Carefirst must be closed in a timely manner to prevent overpayments arising. Overpayments should be monitored for recovery. A decision should be made on the best way to recover the overpayment either a credit via Carefirst or by recovery by invoice.</p>	<p>A number of actions have already been put into place to address overpayments. The significant overpayments in 2013/14 was a result of three children being moved from foster placements to adoptive placements without the central placements team being informed and the service agreement closed down.</p> <p>Immediately these issues were identified we:</p> <p>Introduced a system whereby the DGM adoption informs the central placements team when children moved into adoptive placements.</p> <p>We are also writing to foster carers to remind them about the need to inform us if they have been (or think they have</p>	<p>Completed.</p> <p>30th September 2014</p>	<p>1</p>	<p>Head of Social Care, Care and Resources.</p> <p>Deputy Group Manager – Fostering and Adoption.</p>	<p>Individual cases were discussed. One case for about £21K is being put forward for debt recovery action to recover monies. There has been no further action on this case to date.</p> <p>Another case for £10K has since been paid in full. For the smaller amounts of debt, the Head of Social Care is meeting with the Strategic Commissioner monthly to ensure that these cases are reviewed regularly. Recoupment of overpayments are now automatic from foster carers.</p> <p>A movement form has been introduced to ensure that if there is movement within the placement, the Brokerage team are alerted. However, Internal Audit have been informed that going forward this will not be suitable once there is a transfer from Carefirst to Eclipse. Therefore, the movement form</p>	<p>Outstanding</p>

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
	<p>been overpaid). Introducing a „movement form“ on CareFirst for completion by the social worker which will be auto forwarded to the Central Placements Team to update the service agreement. Arrangements had been put in place in recover the overpayments. However, we were awaiting a financial assessment to be undertaken by debt team before a repayment plan could be agreed. The highlighted cases have been investigated: In three cases the receipt of an enhanced professional fee to the carer has been approved (and the decision was captured on the CF funding decision sheet). The wrong allowance code had been used to capture the payment on CF. Placement officers have been reminded to ensure they use the right</p>	<p>30th September 2014</p> <p>Completed. Review due 30th November 2014.</p> <p>Completed</p>		<p>Deputy Group Manager – Fostering and Adoption.</p> <p>Deputy Group Manager- Fostering & Adoption</p> <p>Deputy Group Manager- Fostering & Adoption</p> <p>Head of Social Care – Care & Resources</p>	<p>is on hold.</p> <p>All relevant documentation has been updated to incorporate recovery of overpayments such as fostering contracts, procedures etc. Foster carers were notified regarding their responsibility in respect of overpayments which was sent out in Autumn 2014. Internal Audit requested the latest aged debt report as at 12/5/15.</p> <p>The level of overpayments had decreased from £72,757.68 to £56,592.61 but the large overpayment of £21k remains outstanding. The review of the respite rates remains outstanding and further work is required. Foster carer retainer overpayments continue to arise and require adjustments to be made to recoup monies</p>	

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
	code. The one case were an IFA looked as though they had been overpaid, due to human error, the wrong figure had been put on the service agreement. However, as IFA's are paid via the submission of an invoice no actual overpayment happened. The finance officer in the Central Placement Team cross references all IFA invoices against the service agreement and had rectified the mistake. The two IFA cases which had an annual agency fee in addition to the weekly fee are pre adoptive placements where we pay an interagency fee. The interagency fees stop at the point of adoption which is why there had been no further fee since 2012 but the weekly payments had continued. Evidence was provided to the auditor. A review of the respite	Completed Completed 30 th November 2014		Strategic Commissioner- Client Resources. Head of Social Care – Care & Resources Group Manager- Fostering & Adoption	Please refer also to Recommendation 13.	

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
	payment scheme to be completed in 2014/15 which will be simpler to understand and apply. A new system to „track“ retainers has been introduced which is checked on a weekly basis. Where it is agreed that a retainer should be paid, in exceptional circumstances, beyond 8 weeks – this is clearly recorded with a review/end date identified.	Completed. Review to be undertaken by 30 th November 2014		Group Manager Fostering and Adoption Deputy Group Manager-Fostering		
2. DBS Checks All DBS checks must be scheduled for renewal in a timely manner, allowance given to the potentially lengthy delay at stage 4. The responsible care worker should ensure that CareFirst is updated promptly and any issues arising from the DBS	A CF business object report has been developed to ensure that the need for a DBS check is highlighted within good time. The senior administrator is responsible for monitoring the reports and alerting the DGM – Fostering of DBS check that need to undertaken.	Completed	2	Group Manager – Fostering and Adoption Deputy Group Manager – Fostering	It was found that there were 17 DBS checks that were at Stage 4 and over 60 days. The department confirmed that there were 5 carers’ that had outstanding DBS checks at over sixty days – Stage 4, that had a child/children placed with them. Enquiries were made with the Head of Social Care to confirm	Outstanding and now escalated to a higher priority.

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
<p>check addressed and evidenced.</p> <p>The Department should be able to evidence close monitoring of cases whereby the DBS has expired and a child is placed with that carer. The Department should clarify the DBS checks for carers allocated the role of “other” and the authority’s responsibility to ensure records are current and accurate. Periodically reconcile the DBS tracking record to a CareFirst generated report to identify data entry errors.</p>	<p>A formal risk assessment, including an increase in visiting frequency must be put in place where there is a delay in obtaining an up to date DBS and a child is already in placement. Where the carer has no child in placement they must not be used until the department is in receipt of a satisfactory DBS. The „spread sheet” of current CRB/DBS checks to be updated and where a check is no longer required (i.e. the adult who previously had a check undertaken no longer is involved in the fostering activity) their name to be removed from the list.</p>	<p>Completed</p> <p>30th September 2014</p>		<p>Group Manager – Fostering and Adoption</p> <p>Deputy Group Manager – Fostering</p> <p>Group Manager – Fostering and Adoption</p> <p>Deputy Group Manager – Fostering</p>	<p>what has happened in the interim for these carers as the DBS checks have been delayed. Management had previously stated that ‘a formal risk assessments are undertaken and an increase in visiting frequency must be put in place where there is a delay in obtaining an up to date DBS and a child is already in placement’ Head of Social Care has since confirmed that it was his belief that these were not routinely done.</p>	
<p>3.Savings A policy must be written on the treatment of savings and pocket money for children in local authority care. The</p>	<p>A savings policy to be written and included in the foster carers handbook and child care procedure manual.</p>	<p>30th November 2014</p>	<p>1</p>	<p>Group Manager, Fostering & Adoption.</p>	<p>Management advised that the savings policy has been clarified with carers. A copy was provided of the policy was provided and albeit brief it has been completed.</p>	<p>Partially Implemented.</p>

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
<p>fostering care allowances must be amended to incorporate the correct saving elements for the relevant age bands. When a placement ends and/or the child moves, the savings transferring should be easily identifiable.</p>	<p>The foster carer allowance schedule has been updated to reflect the changes to the savings amount.</p>	<p>Completed</p>		<p>Group Manager Looked After Children. Head of Social Care - Care and Resources</p>	<p>This was notified to carers via the newsletter and is also included within the foster carer's handbook. The Auditor queried whether the savings are confirmed during the review but this was not evidenced.</p>	
<p>4. <u>Legal Orders</u> Legal orders for all Special Guardianship and Residence Orders must be held securely and uploaded onto Carestore by social care staff, in order to verify the actual payments made to carers. All staff must be reminded that legal documents such as these, must be uploaded to the legal folder onto Carestore.</p>	<p>Copies of Legal Orders and support plans to be uploaded onto CareFirst at the time that the order was made by the social work team. Where a financial assessment has been completed this must also be uploaded into Carestore. Guidance to be issues to staff. We will retrospectively upload Orders on open cases where they are currently missing.</p>	<p>30th September 2014 30th November 2014</p>	<p>1</p>	<p>Head of Social Care – Safeguarding and Care Planning Group Manager- Fostering and Adoption Deputy Group Manager- Connected Persons Team</p>	<p>Internal Audit was advised that the Head of Social Care, CYP (East) had written to all their staff to ensure that all legal orders are uploaded to Carefirst/Carestore including backdating. Testing showed that legal orders could not be located for 8 Residence Order cases for testing and in one case a Special Guardianship Order.</p>	<p>Outstanding</p>

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
5. <u>Connected Persons (Kinship Connected Persons Allowances (Kinship))</u> need to be revisited to confirm that the correct classification is recorded within Carefirst and that the correct rate is currently in payment to the carers. All records must be updated accordingly. All staff need to be reminded that rates should not be overwritten and pre-set fees should be utilised.	All CP allowances has been reviewed and corrected where necessary. Some of these payments were historic and paid at a different (ad hoc) rate, Following the Tower Hamlets ruling the weekly payment rates mirror those of our professional carers both pre and post approval.	Completed	1	Head of Social Care – Care and Resources.	Management advised that a huge piece of work has been undertaken in relation to the classification of these cases (and others) within Carefirst. Testing of 10 cases showed that in respect of two cases tested, these had not received the uplift to the allowances when the rates changed and therefore the incorrect allowance rates have been paid. Underpayments had been made in these two cases. Internal Audit have been notified that these have since been amended. The projected annual spend for this service area is £277,508.58.	Partially Implemented
	The Central Placement Team are aware of the new rates and processes.	Completed		Strategic Commissioner – Client Resources		
6. <u>Residence Orders Welfare checks</u> must be undertaken periodically to confirm that the placement is going well and the child is still in placement. This is also required to confirm that the payment of the residence order allowance is still appropriate. The	All welfare checks have been completed and are up to date. A new system has been introduced and the annual task will be completed by the Finance Officer and overseen by the GM – Fostering and Adoption.	Completed	1	Head of Social Care – Care & Resources	Management confirmed that welfare checks are now undertaken annually. The Residence Orders are now 50% of the fostering maintenance allowance. Audit testing revealed that residence orders could not be located for eight of the samples and all rates in payment could not be verified or reconciled to expected rates. This applied to	Outstanding
	The Residence Order allowances have been	Completed		Group Manager- Fostering & Adoption		

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
<p>Residence Order allowances need to be fully reviewed to confirm that the current payments are correct and each case has the correct classification recorded within Carefirst.</p>	<p>reviewed. Residence Order have, since 2012, been paid at a standard 50% of the weekly fostering maintenance allowance except where a different rate has been agreed by a Court.</p>			<p>Finance Officer Group Manger- Fostering & Adoption</p>	<p>all 41 residence order allowances. It should be noted that some of these rates may have originated from when these allowances used to be financially assessed but none of the rates reconcile back to the agreed rates for residence allowances currently. The original files were also not available for review. Welfare checks are being undertaken but in a different approach. The carer is being telephoned to confirm that everything is going well within the placement. Previously, the school that the child was attending was also contacted when this function fell under Commissioning. It should be noted that these welfare checks are not a legal requirement but represents good practice. The projected annual spend for these allowances is £305K. Management had previously confirmed that all residence order allowances had been reviewed in September 2014 but the Head of Social Care has</p>	

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
					since confirmed that this had not been undertaken and that this had probably referred to the welfare checks. The Auditor was advised that a few welfare checks (approx. 5) that are out of date.	
<p>7. <u>Adoption Allowances</u> Adoption allowances must be reviewed annually and based on the financial assessment to ensure that we are in compliance with the adoption regulations. Financial information must be returned by the carers on request to enable on-going payments, subject to their financial assessments, to ensure that any changes in circumstances are identified. If carers do not provide financial assessment information then the management should consider suspending payments. The Head of Social</p>	<p>All annual financial assessments have been completed and are up to date. A new system has been introduced and the annual task will be completed by the Finance Officer and overseen by the DGM – Post Adoption Support. Where completed financial assessments have not been returned payments have been suspended. Guidance issued in relation to this. Revised payments have been agreed with all adopters as necessary – it is impossible to calculate any backdated payments as they are based on the fostering maintenance allowance that was</p>	<p>Completed Completed Payments suspended – completed</p>	<p>1</p>	<p>Head of Social Care – Care & Resources Group Manager- Fostering and Adoption Deputy Group Manager- Post Adoption Support Head of Social Care - Care & Resources</p>	<p>The responsibility of this has since transferred to the Deputy Group Manager, Adoption Support who is supported by a Finance Officer. The Finance Officer undertakes consistent calculations. All documents have been updated accordingly. Individual cases have been reviewed and a decision taken to leave the current rates, there was minimal backdating and minor adjustments. If relevant documents are not provided to the Authority to confirm whether or not there has been a change in an individual’s circumstances then after two requests payments are ceased.</p>	<p>Implemented.</p>

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
Care’s decision not to backdate calculations should have the necessary approval/authority.	changed in 2011. No representations have been made by adopters in relation their new allowances or whether this should be backdated.	Guidance to be issued by 30 th September 2014. Completed		Head of Social Care – Care & Resources	Audit testing showed that the adoption allowances in payment could be supported by the financial assessments. No further issues arose.	
8. <u>Special Guardianship</u> A review of the Special Guardianship Cases must be undertaken to confirm that the correct classification is attributed to the cases within Carefirst. All SGO orders should be located and scanned onto Carestore. All SGO cases in payment must hold the relevant financial assessment and legal order these should be reviewed annually to confirm that the allowance is still appropriate to be in payment, subject to the court order and the age of the child. All key documents must be held on the shared area to	A review of Special Guardianship cases has been undertaken and we are confident that SGO cases are correctly recorded on CareFirst. Social work teams are to be reminded of the importance of ensuring that the correct legal status and cost code are recorded properly even if the amount of ongoing payments remains the same. SGO order and financial assessments to be uploaded onto CareStore. A new system for the annual financial assessment has been introduced and the annual task will be completed by	Completed 30th September 2014 30th October 2014 30 th September 2014	1	Group Manager – Fostering and Adoption Head of Social Care – Care and Resources Special Guardianship Officer Deputy Group	The Head of Social Care, Care & Resources confirmed that All documents have now been scanned onto the system. The Deputy Group Manager now manages the whole process. It has not been possible to recruit an SGO Officer. The priority one recommendation related to regular financial assessments, rates paid and classification issues. Testing of 10 cases found that when reviewing the financial assessments, this could not be reconciled back to the allowance in payment. Seven out of ten cases tested remain in query in respect of the allowance in payment and one legal order could not be located. It should be noted that for one	Outstanding

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
<p>enable other designated officers to access records as and when required.</p>	<p>the Finance Officer and overseen by the DGM – Connected Person Team.</p>			<p>Manager-Connected Person Team Finance Officer</p>	<p>further case tested a financial assessment could not be located so will be undertaken by the department next month. The projected annual spend for these allowances is £861,950.26.</p>	
<p>9. Training Officers need to be identified within the service that undertake any financial duties and nominated to undertake the mandatory on-line training for financial regulations and contract procedure rules. All staff using Carefirst follow agreed procedures and fully comprehend the implications of data entry and non-entry to Carefirst as a financial system. Training needs specific to Carefirst should be</p>	<p>All managers and administrators to complete the online financial regulations and contract procedures rules. List of manager and administrators to be provided to the training team to enable the online training to be set up.</p> <p>Specific CareFirst training to be provided to administrators both in relation to financial matters and recording roles and service types.</p> <p>General CareFirst training</p>	<p>Training to be completed by 31st October 2014.</p> <p>Training to be completed by 31st October 2014.</p> <p>Training to</p>	<p>1</p>	<p>Head of Social Care - Care and Resources</p> <p>Group Manager – Fostering and Adoption</p>	<p>Management confirmed that a considerable amount of training has been undertaken.</p> <p>All administration staff have also been put forward to undertake the Financial Regulations and Contract Procedure Rules training.</p> <p>However, it was found that staff were still to complete this mandatory training and new staff have also joined the service and have not been put forward to complete this mandatory training.</p>	<p>Outstanding</p>

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
identified and met for all staff.	needs of staff to be identified and put into place.	be completed by 30th November 2014.		Group Manager – Fostering and Adoption		
10. <u>Procedures</u> The foster care handbook should be reviewed to include guidance on savings, update agreed rates, draft procedures once formalised and confirm that the procedures document are appropriate and valid. Staff should be reminded that procedures must be followed at all times	The foster carers hand book is updated in January and July each year (as per our contract with Tri-X). The July update reviewed and refresh many areas, however the ever changing statutory framework in which foster carers operate means that it will be inevitable that some will need updating. It is not financially viable to have a contract that allows continual access to Tri-X for updating.	Completed	3	Head of Social Care Care & Resources Deputy Group Manager- Fostering & Adoption	The foster care handbook has been updated to include savings and the agreed rates.	Implemented.
11. <u>Adoption records held electronically.</u> The transfer to electronic records for adoption should be progressed once the adoption reporting requirements	Work continues to transfer the adoption manual files onto CareFirst and CareStore. There are still some minor pieces of work to be undertaken to make CareFirst fit for	By 31 st March 2015 Carefirst Support Team	2	Adoption Reform Lead	Although there are still paper files held for adoption records, files also are being held electronically to ensure that transfer takes place. However, the transfer on Carestore has not taken place due to the	Partially Implemented.

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
<p>have been satisfied.</p>	<p>purpose for adoption files given the sensitivity of these cases.</p>				<p>proposed transfer to Eclipse.</p>	
<p><u>12. Notification to HMRC of Child Benefit Termination</u> A process should be in place to notify HMRC eight weeks after a child has become looked after to cease child benefit payments. CH193 form should be completed by the relevant social worker and Carefirst updated that notification has been made.</p>	<p>Guidance to be issued to team administrators of the need to inform the HMRC when a child becomes looked after.</p>	<p>30th September 2014</p>	<p>2</p>	<p>Head of Social Care – Care & Resources</p>	<p>Head of Social Care advised that the process is in place and all relevant staff notified and aware of the process. Copies of email correspondence were provided.</p>	<p>Implemented.</p>
<p><u>13. Contract documentation & waivers</u> Waiver documentation must be renewed without delay. CCT should investigate why the inter-agency fee has not been paid since 2012. A valid contract should be in place detailing weekly rates and should</p>	<p>Up to date and appropriate waiver documentation and authorisation is currently in place for each case as required. We are not clear what this refers to. The inter-agency fee stopped in 2012 as the child was adopted and no further fee was payable. However, the weekly allowance continues.</p>	<p>Completed</p>	<p>2</p>	<p>Head of Social Care – Care and Resources.</p>	<p>IFA contracts and relevant waivers were requested. Testing was undertaken for 10 current IFA placements in payment. Copies of contracts were provided however current extensions letters could not be located and are still to be provided. Waiver documentation was seen for the relevant cases. Funding decisions could not be</p>	<p>Partially Implemented as a new recommendation made on IFA contracts .</p>

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
<p>be duly signed. Overpayments should be recovered.</p>	<p>There is no over or under payment and there is duly signed documentation to support this.</p>				<p>located for 1 case, 3 had not been authorised and two had lapsed and 1 was found to be within the required period. Testing was not continued for the remainder of the sample.</p>	
<p>14. <u>VFM – Customer Feedback & Service Improvements</u> Customer feedback should be sought from information evenings organised for fostering and adoption events. Feedback should be considered and if relevant acted upon in order to improve service delivery. Other authorities that are performing well should be contacted in order to learn how services are delivered and how services are delivered and managed differently.</p>	<p>We will explore ways in which we can obtain feedback about the services we provide on a routine basis. To be added to the service user engagement agenda currently being developed.</p> <p>Examples of good practice elsewhere to be identified and disseminated to improve the way in which we deliver the service.</p>	<p>31st March 2015</p> <p>31st March 2015</p>	<p>2</p>	<p>Head of Social Care - Care & Resources</p> <p>Group Manager- Fostering & Adoption</p> <p>Adoption Reform Lead</p>	<p>Evidence of customer feedback has been provided. The Auditor was informed that formal customer feedback is collected at various stages of the adoption process pre-adoption and post-adoption, such as</p> <ul style="list-style-type: none"> • Group sessions and events eg Info session, Adopter Preparation Training and Assessment, Post-adoption Workshops, Annual Adoption Picnic-see attached • Adoption Panel: feedback is collected for adopter approval and matching cases from adopters, social workers (matching and 	<p>Implemented</p>

Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
					<p>approval cases) and foster carers (matching cases).</p> <ul style="list-style-type: none"> • Panel adviser collates the feedback which is then discussed with panel members seeking to improve practice or with adoption practitioners, as required. • Post adoption support services. <p>There is also informal feedback from adopters. Additionally, there has been a mystery shopping assessment done completed at the departments' request.</p>	
<p>15. <u>Unit Cost Data</u> Unit cost data should be readily available for the adoption service, in order to identify possible efficiency savings.</p>	<p>To be explored although in reality this is quite difficult to do as each local authority acts differently in relation to the number of staff they employ and deploy to certain tasks so it will complex to identify possible efficiency savings.</p>	<p>31st March 2015</p>	<p>2</p>	<p>Head of Social Care -Care & Resources</p>	<p>Unit cost data was requested and was found not to be available. CIPFA Benchmarking Club which produces comparator information for the different benchmarking club members. Currently, the adoption service is not included.</p>	<p>Outstanding</p>

Recommendation	Priority *Raised in Previous Audit	Risk	Management Comment	Responsibility	Agreed Timescale
<p>1. <u>Overpayments</u> Processes must be revisited and must be more robust to prevent overpayment situations arising. Service agreements within Carefirst must be closed in a timely manner to prevent overpayments arising. Overpayments should be monitored for recovery. A decision should be made on the best way to recover the overpayment either a credit via Carefirst or by recovery by invoice.</p>	<p>1*</p>	<p>Poor processes can lead to overpayments and losses.</p>	<p>The two significant overpayments related to two specific type cases. Additional safeguards have been introduced to ensure that the Central Placement Team are informed when children are placed in pre-adoptive placements to ensure that there is not a repeat of this.</p> <p>Foster carers are paid on a fortnightly basis using a week in advance and a week in arrears split. Because of this method of payment and the fact children sometimes move mid-way through the payment cycle means that there are occasions where a carer has been 'paid' but no longer has the child placed with them. The Strategic Commissioner and HoS C&R receive a 'transaction in error' report each fortnight. Where appropriate, immediate repayment is taken from the next payment due to foster carers where an overpayment has occurred. In other cases an invoice is immediately raised to recover any outstanding monies.</p> <p>The Strategic Commissioner and HoS meet with colleagues from Liberata to</p>	<p>HoS – Care and Resources, Strategic Commissioner, Central Placements</p> <p>HoS – Care and Resources,</p>	<p>Completed July 2015</p> <p>Completed July 2015</p>

FOLLOW UP AUDIT FAMILY PLACEMENTS FOR 2015-16

APPENDIX C

Recommendation	Priority *Raised in Previous Audit	Risk	Management Comment	Responsibility	Agreed Timescale
			<p>progress debt receiver on a quarterly basis.</p> <p>Delays in processing debt recovery has been raised with the appropriate officer responsible for overseeing the contract with Liberata</p>	<p>Strategic Commissioner, Central Placements</p> <p>HoS – Care and Resources, Strategic Commissioner, Central Placements</p>	<p>Completed July 2015</p>
<p><u>DBS Checks</u> 2. All DBS checks must be scheduled for renewal in a timely manner, allowance given to the potentially lengthy delay at stage 4.</p> <p>The responsible care worker should ensure that CareFirst is updated promptly and any issues arising from the DBS check addressed and evidenced. The Department should be able to evidence close monitoring of cases whereby the DBS has</p>	<p>1 (Previously 2)</p>	<p>Carers may have an undisclosed criminal record therefore placing vulnerable children at risk. Noncompliance to the Minimum Care Standards – Standard 19.3. <i>‘The fostering service has a record of the recruitment and suitability checks which have been carried out for foster carers and those working (including as volunteers) for the fostering service. Including CRB</i></p>	<p>Delays in ensuring all foster carers and their support carers have an up to date DBS check have been addressed by:</p> <ul style="list-style-type: none"> • We have reviewed our list of support carers and removed those who do not need a DBS check either because they no longer offer a significant support function or that they do not have any independent contact with the child • Introduced a system whereby the DBS renewal process has been brought forward from 3 months 6 months so that any delay should not impact on the current DBS expiring before a new clearance is received. • Written to the DBS authority to highlight our issue with DBS checks being held up with our local police which has meant that clearance has 	<p>GM – Family Placement Team</p>	<p>Completed July 2015</p> <p>Completed July 2015</p> <p>Completed July 2015</p>

DBS 10/10/15

Recommendation	Priority *Raised in Previous Audit	Risk	Management Comment	Responsibility	Agreed Timescale
<p>expired and a child is placed with that carer. The Department should clarify the DBS checks for carers allocated the role of "other" and the authority's responsibility to ensure records are current and accurate. Periodically reconcile the DBS tracking record to a CareFirst generated report to identify data entry errors.</p>		<p><i>Disclosures, including the level of the Disclosure, and the unique reference number'.</i></p>	<p>been delayed.</p> <p>Risk assessments are now routinely undertaken where there is a delay in the receipt of a DBS clearance for carers <u>where a child is already placed with them.</u> Increase visits form part of the placement monitoring arrangements in these cases.</p> <p>Where a foster carer does not have a current DBS and there are no children currently placed with, not further placements will be made until a DBS clearance is received.</p> <p>Responsibility for all DBS check monitoring activity has been allocated to the senior administrator for the team</p>	<p>GM – Family Placement Team</p> <p>GM – Family Placement Team</p> <p>GM – Family Placement Team</p>	<p>Completed July 2015</p> <p>Completed July 2015</p> <p>Completed August 2015</p>

Recommendation	Priority *Raised in Previous Audit	Risk	Management Comment	Responsibility	Agreed Timescale
<p>3. <u>Savings</u> A policy must be written on the treatment of savings and pocket money for children in local authority care. The fostering care allowances must be amended to incorporate the correct saving elements for the relevant age bands. When a placement ends and/or the child moves, the savings transferring should be easily identifiable.</p>	<p>1*</p>	<p>Savings may not transfer with the child.</p>	<p>The Savings policy has been updated, published and circulated to all staff.</p> <p>The re-vised policy to be included in the next Tri-x procedure update.</p>	<p>HoS - C&R</p> <p>HoS, C&R, CSC – Policy Officer</p>	<p>September 2015</p> <p>January 2016</p>

Recommendation	Priority *Raised in Previous Audit	Risk	Management Comment	Responsibility	Agreed Timescale
<p>4. <u>Legal Orders</u> Legal orders for all Special Guardianship and Residence Orders must be held securely and uploaded onto Carestore by social care staff, in order to verify the actual payments made to carers.</p> <p>All staff must be reminded that legal documents such as these, must be uploaded onto the legal folder within Carestore.</p>	<p>1*</p>	<p>Lack of legal documentation to support actual payments to carers.</p>	<p>Legal orders for all SGO and Child Arrangement Order (previously Residence Order) cases are being obtained and scanned onto CareStore.</p> <p>Staff across children’s social care have been reminded of the need to ensure that Legal Orders are uploaded to CareStore.</p> <p>The ‘transfer/Closure’ checklist has been amended and specifically requires that the uploading of Legal Order has taken place.</p>	<p>GM – Family Placements, DGM – Connected Person Team</p> <p>HoS - C&R</p> <p>GM – CLA Team</p>	<p>30 September 2015</p> <p>September 2015</p> <p>Completed July 2015</p>

FOLLOW UP AUDIT FAMILY PLACEMENTS FOR 2015-16

APPENDIX C

Recommendation	Priority *Raised in Previous Audit	Risk	Management Comment	Responsibility	Agreed Timescale
<p>5. <u>Connected Persons Allowances (Kinship)</u> need to be revisited to confirm that the correct classification is recorded within Carefirst and that the correct rate is currently in payment to the carers. All records must be updated accordingly. All staff need to be reminded that rates should not be overwritten and pre-set fees should be utilised.</p>	<p>1*</p>	<p>Incorrect rates are in payment.</p>	<p>Connected Person (Foster Carer) allowances have been checked and corrected where necessary.</p>	<p>HoS C&R, Strategic Commissioner Central Placements Team</p>	<p>Completed July 2015</p>

Recommendation	Priority *Raised in Previous Audit	Risk	Management Comment	Responsibility	Agreed Timescale
<p>6. <u>Residence Orders</u> Welfare checks must be undertaken periodically to confirm that the placement is going well and the child is still in placement. This is also required to confirm that the payment of the residence order allowance is still appropriate. The Residence Order allowances need to be fully reviewed to confirm that the current payments are correct and each case has the correct classification recorded within Carefirst.</p>	<p>1*</p>	<p>Monitoring of cases is not undertaken and allowances may continue despite a child moving to elsewhere.</p>	<p>Child Arrangement Order (previously Residence Order) cases have been correctly identified and recorded on CareFirst.</p> <p>CAO order to be located and scanned onto CareStore.</p> <p>An annual financial review of all CAO cases to be undertaken, with specific reference to any amount agreed to be paid in the Order and our current payment scheme (Prior to 2012,RO's were paid on the basis of a mean test assessment. Since this date, they have been paid at a set rate).</p> <p>Annual welfare check to be completed to ensure that the child is still in placement and as a minimum must include contact with the carer.</p>	<p>GM – Family Placements, DGM – Connected Person Team</p> <p>GM – Family Placements, DGM – Connected Person Team</p> <p>GM – Family Placements, DGM – Connected Person Team</p> <p>GM – Family Placements, DGM – Connected Person Team</p>	<p>30 September 2015</p> <p>30 September 2015</p> <p>30 September 2015</p> <p>2015/16 checks to be completed by 30 September 2015</p>

Recommendation	Priority *Raised in Previous Audit	Risk	Management Comment	Responsibility	Agreed Timescale
<p>7. <u>Special Guardianship Orders</u> A review of the Special Guardianship cases must be undertaken to confirm that the correct classification is attributed to the cases within Carefirst. All SGO orders should be located and scanned onto Carestore. All SGO cases in payment must hold the relevant financial assessment and legal order these should be reviewed annually to confirm that the allowance is still appropriate to be in payment, subject to the court order and the age of the child. All key documents must be held on the shared area to enable other designated officers to access records as and when required.</p>	<p>1*</p>	<p>Incorrect rates may in payment.</p>	<p>SGO cases have been correctly identified and recorded on CareFirst.</p> <p>SGO order to be located and scanned onto CareStore.</p> <p>An annual financial review of all SG cases to be undertaken, with financial assessments uploaded onto CareStore.</p> <p>Clear return dates to be provided to carers for return of documents to enable the financial assessment to be completed. Failure to comply will result in payments being suspended. This to be communicated in the letter sent to carers with the financial assessment forms.</p> <p>The significant increase in SGO cases and associated cost pressures to be raised with Members through the Executive Working Party for Safeguarding and Corporate Parenting</p>	<p>GM – Family Placements, DGM – Connected Person Team</p> <p>GM – Family Placements, DGM – Connected Person Team</p> <p>GM – Family Placements, DGM – Connected Person Team</p> <p>GM – Family Placements, DGM – Connected Person Team</p> <p>AD – CSC, HoS – C&R</p>	<p>Completed July 2015</p> <p>30 September 2015</p> <p>30 September 2015</p> <p>30 September 2015</p> <p>22 September 2015</p>

FOLLOW UP AUDIT FAMILY PLACEMENTS FOR 2015-16

APPENDIX C

Recommendation	Priority *Raised in Previous Audit	Risk	Management Comment	Responsibility	Agreed Timescale
<p>8. <u>Training</u> Officers need to be identified within the service that undertake any financial duties and nominated to undertake the mandatory on-line training for financial regulations and contract procedure rules. All staff using Carefirst follow agreed procedures and fully comprehend the implications of data entry and non -entry to Carefirst as a financial system. Training needs specific to Carefirst should be identified and met for all staff.</p>	<p>1*</p>	<p>Staff may be operating to different working practices. Inaccuracies may occur in Carefirst data which may have a financial impact on the Authority.</p>	<p>The names of the ‘temporary’ administration staff have been passed to training for inclusion on the financial e-learning training programme.</p> <p>CareFirst training and update training is provided to all staff and arrangements are in place for refresher training where needed through the CareFirst Support Team.</p> <p>Family Placement Team staff are part of the Eclipse implementation and testing group</p>	<p>GM – Family Placements</p> <p>GM, DGM’s – Family Placement Team</p> <p>Eclipse Project Lead</p>	<p>Training to be completed by 30 September 2015</p> <p>30 September 2015</p> <p>April 2016</p>
<p>9. <u>Adoption Records held electronically.</u> The transfer to electronic records for adoption should be progressed once the adoption reporting requirements have been satisfied.</p>	<p>2*</p>	<p>Physical security of sensitive data may be compromised or records may easily be lost.</p>	<p>Arrangements are in hand to commission work for the adoption files to be scanned and uploaded onto CareStore.</p> <p>Work is also being undertaken as part of the move from CareFirst to Eclipse to ensure that the adoption modules are fit for purpose</p>	<p>HoS - Performance and Information Team, HoS C&R, GM – Family Placements, Eclipse Strategic and Implementation Groups</p>	<p>April 2016 (Eclipse ‘go live’ date)</p>

P
0
6
1
0

FOLLOW UP AUDIT FAMILY PLACEMENTS FOR 2015-16

APPENDIX C

Recommendation	Priority *Raised in Previous Audit	Risk	Management Comment	Responsibility	Agreed Timescale
<p>10. <u>Contract extension letters/Funding Approval</u> Contract extension letters and the relevant authorised funding decisions should be in place for current all placements as applicable.</p>	2	<p>Unauthorised expenditure may be made. Overpayments may arise.</p>	<p>This has been addressed and is in place.</p>	<p>Strategic Commissioner – Central Placements Team</p>	<p>Completed July 2015</p>
<p>11.VFM Assessment - <u>Unit Cost Data</u> It was confirmed by the Head of Social Care, Care & Resources, that no unit cost data was available for the adoption service. However, work has been undertaken on the unit costs for fostering. This information has yet to be provided to Internal Audit for review.</p>	2*	<p>Efficiencies may not be realised.</p>	<p>Members have requested work to be undertaken to explore unit costs as part of the identifying efficiencies programme.</p> <p>Unit cost data is being collated for the CIPFA benchmarking club.</p> <p>A separate piece of work will be commissioned to identify unit costs for the adoption service as part of the preparation for the adoption regionalisation workstream</p>	<p>Head of Finance, AD – Children’s Social Care, HoS - C&R</p> <p>Strategic Commissioner – Central Placements, HoS – C&R, CSC Accountant</p> <p>CSC Accountant, HoS – C&R, Adoption Reform Lead</p>	<p>Date to be determined but to be completed before the 31 March 2016</p> <p>30 September 2015</p> <p>January 2016</p>

Priority 1

**Required to address major weaknesses
and should be implemented as soon as
possible**

Priority 2

**Required to address issues which do
not
represent good practice**

Priority 3

**Identification of suggested
areas for improvement**

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVES - FINANCE DEPARTMENT

REVIEW OF HOUSING BENEFIT AUDIT FOR 2014-15

Issued to: John Nightingale, Head of Revenues and Benefits

Cc: Jayne Carpenter, Benefits Operations Manager
Peter Turner, Director of Finance

Prepared by: London Borough of Wandsworth Audit

Date of Issue: 6th October 2015

Report No.: CX/019/05/2015.bf

REVIEW OF HOUSING BENEFIT AUDIT FOR 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of Housing Benefit Audit for 2014-15. The audit was carried out in quarter four as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 28 February 2015. The period covered by this report is from 01/04/14 to 28/02/15. However, testing could not be completed on the administration and assessment of new claims as a report of all the new claims assessed in 2014/15 was not provided.
4. The total budgeted payments expected for Housing Benefit for 2014/15 was £131,862,000. Of this £125,439,010 is for Rent allowances, £3,563,700 for Bed and Breakfast and £683,179 for DHP.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

The key areas affecting the level of assurance are: no assurance can be given on the administration and assessment of new claims due to the inability to provide data to enable testing and the points mentioned in paragraph 10 indicating that overall performance delivery is below expectations.

REVIEW OF HOUSING BENEFIT AUDIT FOR 2014-15

MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of:
 - Reviews and assessments following change of circumstances are carried out
 - Reconciliations are regularly carried out

8. Of the seven recommendations made within the previous Internal Audit review of Housing and Council Tax Benefit for 2013/14, issues surrounding three of the recommendations still exist. Re-recommendations have been made within this report to address the following issues:
 - Appeals are not effectively monitored to ensure a response is given within 28 days.
 - Testing of Discretionary Housing Payments (DHPs) found two instances of no evidence of applications made in writing.
 - Overpayments that are identified are not always being adequately and promptly recovered.

9. We would also like to draw to the Manager's attention:
 - Administration and assessment of new claims could not be tested as a report of all the new claims assessed in 2014/15 was not provided. As a result, no assurance can be placed on this area. This was eventually passed to Bromley Internal Audit on the 27/05/15 and a sample of 5 claims checked. Each one was determined to be supported by appropriate documentation and all sections of application form completed.
 - Applications and change in circumstances are not being promptly processed as per contract performance targets.
 - Minutes of contract review meetings were not provided making it difficult to provide assurance over the improved performance of contractor. Committee Paper FDS14079 states a number of improvements following an agreed action plan with the Chief Executive of the Exchequer contractor overseeing the corrective action. However, the recovery rate of overpayments stood at 70.48% as at December 2014 and the financial error rate was over 5% in September and November 2014 (6.25% and 9.09% respectively).
 - Testing of a sample of DHPs found one instance where it took 85 days to assess the claim.
 - Testing of a sample of 20 Appeals found one case where the claimant was not informed of the outcome in writing.
 - Procedures for Overpayments Notes and Overpayments Checking are available to staff on the shared drive. However, there was no evidence of review dates and the documents were not signed by the reviewer.

REVIEW OF HOUSING BENEFIT AUDIT FOR 2014-15

- Testing of unpresented cheques identified three cheques where there is no evidence to show whether they have been stopped and/or written back to the accounts.
- Reports of daily changes / amendments / assessments of claims are provided to Service Leads for quality and performance purposes. However, no evidence has been provided of any amendment checks carried out by Service Leads.

10. Several of the above points collectively are an indication that overall performance delivery is below expectations requiring increased effort by the Contractor and robust contract management by the client side.

SIGNIFICANT FINDINGS (PRIORITY 1)

11. No significant findings were identified during this review.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

13. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

14. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1.	<p>During the 2013/14 Audit it was identified that performance against the processing application target of 13 days, was 17.02 days.</p> <p>By January 2015, this had deteriorated to 20.23 days. At Augusts 2015 performance has improved and processing time is now on average 10.65 days.</p>	<p>Applications are not processed within the timescales set in the SLA, potentially leading to arrears action being taken in respect of outstanding rent and/or council tax.</p>	<p>Action should be taken with the contractor to ensure performance improves in relation to processing new claims and change of circumstances. If action doesn't improve the authority should consider issuing a default. [Priority 2]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2	<p>Discretionary Housing Payments Testing of a sample of 10 Discretionary Housing Payments (DHP) found that for two of these, there was no evidence of the applications being made in writing. As per the Council’s policy, ‘The Council accepts DHP claims in writing and provide an application form for that purpose; however a letter or email will also be accepted as a claim.’</p>	<p>DHPs may be made inappropriately. Failure to comply with established policy.</p>	<p>DHPs should not be processed unless supported by a written application. [Priority 2*]</p>
3	<p>Testing of a sample of DHPs found one instance where it took 85 days to assess the claim. The reason given for the delay was the increased volumes of DHP applications. Priority was given to those applications from disabled customers in RSL occupation. However, the DHP Guidance Manual (April 2014) states that the Council must be consistent and avoid unnecessary delay as applications for DHP are often made to deal with an immediate need.</p>	<p>DHP applications are not treated consistently resulting in reputational risk to the Council.</p>	<p>All DHP applications are treated consistently and avoid unnecessary delays as applications for DHP are often made to deal with an immediate need. [Priority 2]</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
4	<p>Appeals Management It was identified that prompt consideration was often not being given to the appeals received. The list of Appeals for 2014-15 was obtained and of the 153 appeals made, 106 were not responded to within the 28 day target (69%) and 47 were not responded to within the 3 month referral target to Tribunal (31%). Testing of a sample of 20 Appeals found one case which took the Council over five months to respond to (appeal dated 20/08/14 and response sent on 04/02/15).</p>	<p>Where appeals are not processed within the target deadline, there is a risk that claimants are suffering unnecessary financial hardship where an incorrect decision has been awarded.</p>	<p>Where appeals are approaching the target date, actions should be taken to ensure that these are reviewed within the 28 day and the 3 month targets as per the SLA. [Priority 2*]</p>
5	<p>Testing of a sample of 20 Appeals found one case where the claimant was not informed of the outcome in writing. Claimants must be notified of the decision in writing, as well as their rights to appeal the decision.</p>	<p>Where claimants are not notified of the Council's decisions in writing, there is a risk of claimants not being aware of their rights to appeal within specified time limits and suffering unnecessary financial hardship where an incorrect decision has been awarded.</p>	<p>Claimants must be notified of the Council's decisions in writing. [Priority 2]</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
6	<p>Overpayments Procedures for Overpayments Notes and Overpayments Checking are available to staff on the shared drive. However, there was no evidence of review dates and the documents were not signed by the reviewer.</p>	<p>Staff are following out of date procedures.</p>	<p>Procedures should be regularly reviewed, updated (if applicable) and signed by the reviewer. [Priority 3]</p>
7	<p>Testing of a sample of 25 cases of overpayments found the following:</p> <ul style="list-style-type: none"> • A claimant has an overpayment of over £23,000 created a year ago. As the claimant is in prison, the Council has chosen not to take any recovery action. At the time of testing, the account had not been updated since 22/12/14. Internal Audit has since been informed that there are discussions regarding the legality of transferring the overpayment to the wife’s claim to obtain partial recovery; • a cheque was paid to a claimant for £172.83 even though there was an overpayment of £3,595.08. The payment was made before an appeal was received and the overpayment deemed irrecoverable. However, the issue remains that the payment should have been netted off against the overpayment instead of actually being paid by cheque. 	<p>Overpayments that arise are not recovered.</p>	<p>Overpayments should be recovered promptly and efficiently. If this is not possible, then other avenues of recovery should be considered especially if the overpayment is significant. In addition, all accounts should be updated to reflect the latest position. [Priority 2*]</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
8	<p>System Security Reports of daily changes / amendments / assessments of claims are provided to Service Leads for quality and performance purposes. However, no evidence has been provided to Internal Audit of any amendment checks carried out by Service Leads.</p>	<p>There is a risk that if amendments to standing data are not regularly reviewed, incorrect transactions will not be prevented and detected, leading to financial loss to the Council.</p>	<p>Ensure that amendments to standing data are reviewed on a regular basis. [Priority 2]</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Action should be taken with the contractor to ensure performance improves in relation to processing new claims and change of circumstances. If action doesn't improve the authority should consider issuing a default.	2*	The contractor's performance levels were raised at the highest levels with the Exchequer contractor. Members were also made aware of the performance levels. Processing times have now significantly improved and monitoring is in place to avoid any deterioration.	Head of Revenues and Benefits	Ongoing
2	DHPs should not be processed unless supported by a written application.	2*	Agreed this is good practice. But the regulations do not insist that an application is made and the emphasis is on the Authority to ensure those in need/vulnerable receive support.	Benefits Operations Manager	Ongoing
3	All DHP applications are treated consistently and avoid unnecessary delays as applications for DHP are often made to deal with an immediate need	2	As with previous on DHP audits – we use the fund to assist where ever possible and this could be at the request of our colleagues in Housing. It obviously in our best interest that our allocation is fully spent.	Benefits Operations Manager	Ongoing

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	Where appeals are approaching the target date, actions should be taken to ensure that these are reviewed within the 28 day or 3 month targets, as set out in the SLA	2*	Agreed but turnaround is governed by volume of applications received since the introduction of welfare reform. Priority is given to those in immediate need since the fund is limited. Customers who contact the Help-line are fast tracked as well those identified as priority need by our colleagues in Housing.	Benefits Operations Manager	Ongoing
5	Claimants must be notified of the Council's decisions in writing	2	The customers were notified in writing via the entitlement letters in majority of the cases identified (only 1 cases out of the 20?). However I do accept that the customers may not have realised that was the case. I will introduce a procedure and monitoring to ensure that this is more transparent by the end of October 2015.	Benefits Operations Manager	October 2015
6	Procedures should be regularly reviewed, updated (if applicable) and signed by the reviewer	3	Agreed	Benefits Operations Manager	Ongoing

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
7	Ensure overpayments are recovered promptly and efficiently. If this is not possible, then other avenues of recovery should be considered especially if the overpayment is significant. In addition, all accounts should be updated to reflect the latest position	2*	Agreed. Some of the information obtained to support actions was not readily available and had to be requested i.e. updates of prosecution cases.	Benefits Operations Manager	Ongoing
8	Ensure that amendments to standing data are reviewed on a regular basis	2	Agreed. I will introduce monitoring to ensure that any bank accounts changes are highlighted/verified where possible.	Benefits Operations Manager	October 2015

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

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

This page is left intentionally blank

FINAL INTERNAL AUDIT REPORT
RESOURCES DEPARTMENT

REVIEW OF DEBTORS-INCOME AUDIT FOR 2014-15

Issued to: Peter Turner, Finance Director
John Nightingale, Head of Revenues and Benefits
Neil Graham, Finance Systems Manager
Claudine Douglas-Brown, Exchequer Manager

Prepared by: Kirsty Hancock, Auditor (Wandsworth Council on behalf of LBB)
Rakhee Handa, Senior Auditor (Wandsworth Council on behalf of LBB)

Date of Issue: 26th June 2015

Report No.: RD/026/06/2015

REVIEW OF DEBTORS-INCOME AUDIT FOR 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of Debtors-Income. The audit was carried out in quarter four as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 29/01/15. The period covered by this report is from 01/01/14 to 28/02/15.
4. As at 31/03/14 there was an outstanding debt figure of £12.67 million, including debts over a year old totalling £2.5 million.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix D.

MANAGEMENT SUMMARY

7. Controls were in place and working well in the area of monthly performance monitoring against the contract.

REVIEW OF DEBTORS-INCOME AUDIT FOR 2014-15

8. There is no evidence that reports of amendments made to customers' data and system access are run and reviewed by management.
9. Testing of the Cashiers identified one instance of a discrepancy of £160 in banking which had not been picked up until the customer was chased for the apparently outstanding debt. It was also identified that two members of the Cashiers Team were husband and wife.
10. Reconciliations between the debtors control account and general ledger have not been conducted on a regular basis and weighbridge reconciliations have not been carried out since October 2014. There is also not always evidence of management review of reconciliations.
11. The suspense holding account B-200771-L151-Z5554 has had a balance since 2013/14 which has increased significantly in 2014/15.
12. A sample of 15 write offs were reviewed; the following issues were identified:
 - Significant delays between the invoice date and date write off was agreed
 - 1 instance of 5 year delay between recommendation to write off and actual write off occurred
 - 1 write off arisen as a result of estate being incorrectly notified of final liability
13. 25 unpaid debts were sampled and audit identified a number of issues:
 - 2 samples where no evidence that Dunning letters were issued
 - Delayed response from service
 - Delay referring debt to legal department or debt collector
 - Incorrect court fee paid leading to delay in legal proceedings
14. 6 out of 10 samples had no evidence of the customer being informed in writing of agreed instalment payments and no evidence of monitoring of debtors paying by instalment. In addition, no evidence was obtained in one case that the customer was informed when their direct debit payments fail.

REVIEW OF DEBTORS-INCOME AUDIT FOR 2014-15

SIGNIFICANT FINDINGS (PRIORITY 1)

15. None.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

16. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

17. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Debtor account management: There was no evidence that amendments to customers' account data are reviewed or that any amendment report is run and reviewed by management on a regular basis.</p>	<p>Unauthorised or incorrect amendments are made to customers' data.</p>	<p>Reports of amendments to customers' data and systems access should be run and reviewed by management on a regular basis. [Priority 3]</p>

DETAILED FINDINGS

<p>2</p>	<p>It was ascertained from discussion with the contractor that checks are not carried out to ensure that invoices are raised for all requests received with reliance placed upon service users raising queries.</p> <p>Whilst no instances of error or failure were identified, no evidence was provided to confirm that 5% of invoices, all invoices over £2,000 and invoices raised by new staff members are reviewed prior to being dispatched.</p>	<p>Preventable errors may go ahead undetected resulting in incorrect invoices dispatched to customer leading to delays in income recovery and damage to the Council's reputation.</p>	<p>Ensure that a percentage of invoices raised (including high value, exceptional and repeat invoices) are reviewed for accuracy prior to dispatch. [Priority 3]</p>
----------	--	---	--

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

<p>3</p>	<p>C&D Returns & Cashiers: Whilst reviewing collection and deposit (C&D) returns, it was identified that a discrepancy of £160 in banking had occurred on 23/02/15 (Central Cashiers). On further investigation, it was discovered that this related to a cheque that was deposited at the kiosk on 14/11/14 but not entered on the kiosk system. It was not picked up at the time that the value of cheques from the kiosk on 14/11/14 was £160 more than the total entered on the system.</p> <p>The missing payment was for the payment of council tax. Eventually after the customer provided proof of the cheque, it was found, though not before recovery action had commenced on the customer and a court summons had been issued.</p> <p>It was identified during testing that two members of the Cashiers Team were husband and wife. Despite requests for procedures in place to address / manage this issue, no details were forthcoming.</p>	<p>Staff may not be adhering to agreed policies and procedures.</p> <p>Ineffective use of time chasing customers for apparent non payment of debt, leading to potential reputational damage to the Council.</p> <p>Debtors totals incorrectly reflected and cash received does not match what is reflected on the systems, leading to inaccurate financial accounts.</p> <p>Collusion leading to financial loss to the Council.</p>	<p>Amounts received via the kiosk should be reconciled to what is reflected on the system on a daily basis (i.e. reconcile cheques to cheque list). [Priority 2]</p> <p>Procedures should be in place to ensure clear separation of duties between the individuals concerned. [Priority 3]</p>
----------	--	---	--

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

4	<p>Reconciliations: Testing included a review of a number of reconciliations and suspense accounts from which the following issues were highlighted:</p> <ul style="list-style-type: none"> a) Reconciliations of the debtors control account to the general ledger were not conducted in July or October 2014 and the January 2015 one was completed in March 2015 due to staff shortages. b) Unposted items relating to April and November 2014 (£337.54 and £550 respectively) were still showing as outstanding reconciling items in January 2015. c) The weighbridge reconciliations had not been conducted since October 2014. This was related to a problem reporting income due to a change in payment method to mainly credit and debit cards. d) Where completed, there was not always evidence that reconciliations had been reviewed by management e) The suspense holding account B-200771-L151-Z5554 has had a balance on it since before 2013/14 year end and has increased in 2014/15 from £4,519.43 to £13,537.97. 	<p>Errors and inappropriate transactions may not be identified, leading to financial loss to the Council.</p> <p>Staff may not be following agreed policies and procedures.</p> <p>Financial accounts may not reflect a true and fair view leading to reputational damage to the Council.</p>	<p>Reconciliations should be conducted on a regular basis. [Priority 2]</p>
---	---	---	---

DETAILED FINDINGS

<p>5</p>	<p>Write Offs: A sample of 15 write offs were reviewed. In all cases, there had been a significant lapse in time between the initial invoice date and agreement for write off. Invoices ranged from 2006 to 2014 and included 2 cases that were time statute barred.</p> <p>a) For a number of invoices relating to customer number 93005857 (deceased), totalling £2,553.51 up to 2008, these were originally recommended for write off in 2010 but write off did not occur until 2015.</p> <p>b) Customer number 92600508 (deceased), invoices totalling £8,893.14 from September 2008 to June 2009. Whilst reviewing this, it was identified that the write off had occurred as a result of the estate being incorrectly notified of the final liability. The difference between the amount notified and the actual liability has been written off.</p>	<p>Financial accounts may not be accurate.</p> <p>Financial loss to the Council as a result of error</p> <p>Inappropriate write offs leading to financial loss to the Council</p>	<p>Debts should be written off in a timely manner once all avenues of pursuit have been exhausted [Priority 2]</p> <p>Ensure correct final liability is calculated and calculation reviewed for accuracy before estate is notified [Priority 2]</p>
----------	--	---	---

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

<p>6</p>	<p>Debt Recovery: A sample of 25 unpaid debts was reviewed to clarify debt collection procedures and a number of queries identified - all details have been included in a separate Appendix (Appendix C).</p>	<p>Staff may not be adhering to agreed policies and procedures</p> <p>Avoidable delays in debt collection and ineffective debt monitoring can lead to problems recovering amounts due and hence financial loss to the Council.</p> <p>Underpayment of instalments and lack of follow-up action may lead to issues recovering the full amount due to the Council</p>	<p>Detailed procedure notes should be prepared for all debt processes to ensure timely collection of debts. [Priority 2]</p> <p>Ensure that disputes are resolved in a timely manner, with long running disputes escalated to senior management if necessary for resolution, contacting the debtor promptly to ensure debt recovery occurs. [Priority 2]</p> <p>Prompt action should be taken on invoices on hold to increase scope for successful debt recovery action [Priority 2]</p> <p>Cases requiring bailiff/debt collector action should be referred promptly. [Priority 2]</p>
----------	--	---	---

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

7	<p>Instalment Plans: A sample of 10 debts where payment has been agreed by instalments was reviewed to ensure debtors were notified in writing of agreed instalments and accounts being paid by instalments are regularly monitored. Written confirmation to the debtor of agreed instalments was not located for the following customers:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Customer number</th> <th style="text-align: left;">Invoice number</th> <th style="text-align: right;">Amount £</th> </tr> </thead> <tbody> <tr> <td>96097001</td> <td>70073516</td> <td style="text-align: right;">500.00</td> </tr> <tr> <td>96078344</td> <td>75001469</td> <td style="text-align: right;">595.75</td> </tr> <tr> <td>96090980</td> <td>70073956</td> <td style="text-align: right;">8,686.84</td> </tr> <tr> <td>96093281</td> <td>62146325</td> <td style="text-align: right;">92.73</td> </tr> <tr> <td>96086455</td> <td>70075120</td> <td style="text-align: right;">500.40</td> </tr> <tr> <td>96022152</td> <td>70075259</td> <td style="text-align: right;">721.87</td> </tr> </tbody> </table> <p>A sample of 5 rejected direct debits was reviewed. In one case, no evidence was obtained to show that the customer had been notified that their direct debit had failed and action was needed in order to settle their account. Customer number 96085035 15/01/15 £ 1,024.82</p>	Customer number	Invoice number	Amount £	96097001	70073516	500.00	96078344	75001469	595.75	96090980	70073956	8,686.84	96093281	62146325	92.73	96086455	70075120	500.40	96022152	70075259	721.87	<p>Instalments not paid when due leading to financial loss to the Council.</p> <p>Lack of notification of failed payments may result in non collection of debts and financial loss to the Council.</p>	<p>All instalment arrangements should be confirmed in writing to the debtor. [Priority 2]</p> <p>Customers should be contacted if their direct debit fails requesting that they arrange payment by other means [Priority 2]</p>
Customer number	Invoice number	Amount £																						
96097001	70073516	500.00																						
96078344	75001469	595.75																						
96090980	70073956	8,686.84																						
96093281	62146325	92.73																						
96086455	70075120	500.40																						
96022152	70075259	721.87																						

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Amendments to customers' account data are reviewed and amendment reports are run and reviewed by management on a regular basis.	3	Given the volume of amendments made to customer details, enquiries have been made with the FIS team regarding whether any bulk reports exist that could capture the required information.	Exchequer Contractor Recovery & Income Operations Manager	31 August 2015

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

2	Ensure that a percentage of invoices raised (including high value, exceptional and repeat invoices) are reviewed for accuracy prior to dispatch.	3	<p>5% of transactions are checked on a monthly basis; this consists of checking that the invoice produced is consistent with the backing documentation and that it has been allocated to the correct service department.</p> <p>Invoice checks are carried out on all new staff; this is not a requirement in the SLA but a process set internally by Exchequer contractor to monitor training progress and accuracy during probation.</p> <p>All invoices over £2k are checked by another team member.</p> <p><i>Audit comment: No evidence of this has been provided to date.</i></p>	Exchequer Contractor Recovery & Income Operations Manager	31 August 2015
---	--	---	---	---	----------------

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	<p>Amounts received via the kiosk should be reconciled to what is reflected on the system on a daily basis (i.e. reconcile cheques to cheque list).</p> <p>Procedures should be in place to ensure clear separation of duties between family members.</p>	<p>2</p> <p>3</p>	Agreed	Head of Revenues and Benefits	31/08/15

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	Reconciliations, including debtors control account to the general ledger and weighbridge, should be conducted on a regular basis.	2	<p>Agreed - because this is our normal policy. However because of a staff vacancy (for 3 months) and a new member in the team some of the reconciliations were not carried out each month.</p> <p>Note: In your report you highlighted the balance on B200771-L151-Z5554. This account is not monitored by my team and is the responsibility of the Control / Technical team.</p>	Finance Systems Manager	Implemented

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	<p>Debts that are uneconomical to pursue / all avenues have been exhausted should be written off in a timely manner.</p> <p>Ensure the correct final liability is calculated and calculation reviewed for accuracy before estate is notified.</p>	<p>2</p> <p>2</p>	<p>As part of the review of old debts, the Exchequer Contractor re-submitted write off requests for debts previously flagged for write off. These have now been processed where approval has been given.</p> <p>Agreed. There is a process in place to ensure the accounts are fully reconciled before the final account is sent to the executors of the estate.</p>	<p>Exchequer Contractor Recovery & Income Operations Manager</p> <p>Exchequer Contractor Operations Manager, Financial Assessment and Management Team</p>	<p>Completed</p> <p>Completed</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
-------------	----------------	------------------------------------	--------------------	----------------	------------------

6	Debts should be monitored and timely recovery action taken: <ul style="list-style-type: none"> • Departments should ensure that disputes are resolved in a timely manner with long running disputes referred to senior management for resolution, contacting the debtor promptly to ensure debt recovery occurs. • Prompt action should be taken on invoices on hold to ensure the debt is recovered (including utilities). • Cases for the bailiff/debt collector should be referred promptly. • Detailed procedure notes should be prepared for all debt processes to ensure timely collection of debts. 	2	Unresolved disputes are referred back to the departments and then to the Heads of Finance for resolution. Reviews are conducted on a monthly basis to ensure cases are referred to the debt collector/bailiff where appropriate. Action taken is noted on the control spread sheet.	Exchequer Contractor Recovery & Income Operations Manager/Head of Exchequer Service	30/06/15
		2	Collection procedures together with their location on the Exchequer Contractor drives were shown to the auditors at the time of the audit.	Exchequer Contractor Recovery & Income Operations Manager	Completed
		2			Completed
		2		Exchequer Contractor Recovery & Income Operations Manager	

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
7	<p>Ensure all instalment arrangements are confirmed in writing to debtors and regular monitoring of accounts is undertaken where payment is by instalments.</p> <p>Ensure customers are contacted if their direct debit fails requesting that they arrange payment by other means.</p>	<p>2</p> <p>2</p>	<p>The Exchequer Contractor will ensure that all instalment arrangements are regularly monitored and customers are contacted if their direct debit fails.</p> <p>The Exchequer Contractor will change their process so that all instalment arrangements are confirmed in writing to the debtor.</p> <p>Please see separate document attached (Appendix D) for details of action taken on the invoices listed in Appendix A.</p>	<p>Exchequer Contractor Recovery & Income Operations Manager</p>	<p>30/06/15</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

No.	Findings	Comment	Responsible
6	<p>Debt recovery The following issues were identified:</p> <p>a) Customer number 96065739 invoice 70071500 03/09/14 £ 16,285.85. No Dunning letters appear to have been sent. It has been disputed since 13/09/14 and on hold then coded as referred to Legal in January 2015.</p> <p>b) Customer number 96083758 invoice number 70066583 28/03/14 £6,146.21. Dunning letters were sent in April and May 2014. The account has been marked in dispute and on hold for a long period before being marked as going to a debt collector first referral 31/01/15.</p>	<p>This invoice is still in dispute, chaser emails have been sent on 16/10/2014, 10/12/2014 and 30/01/2015.</p> <p>The client was chased 3 times for information which was finally received in June 2014. The client's mental capacity was also questioned due to correspondence found in Carefirst. The matter was escalated to LBB and was chased on 08/08/14, and on 14/8/14 we were advised that the matter had been escalated to Deputy Exchequer Manager. An email was sent to Deputy Exchequer Manager on 07/01/15 requesting an update. 19/04/15 an email was sent to Mrs Boyd requesting payment and the account was marked L for pre debt collector checks.</p>	

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

<p>contd</p>	<p>c) Customer number 96082393 invoice 70051131 18/10/12 £33,896.50. This was on hold in 2012, then in dispute in December 2012. It was marked as awaiting write off since May 2013. There is no evidence of subsequent action being taken.</p> <p>d) Customer number 96085940 invoice number 70063301 28/11/13 £12,001.98. Dunning letters were sent in December 2013 and January 2014. Payment by instalments was agreed at £666.77 per month in May 2014. However only one payment of that amount was made and then 3 payments of £300 were made. It is unclear whether a charge has been put on the property and what payments have been made/agreed.</p>	<p>Due to the size of the debt approval of the Executive is required to write the debt off. The report to the Executive will be completed by 31/07/15.</p> <p>09/01/14 an email was sent to LBB as the customer had enquired as to whether a charge could be placed on the property. A response was received on 31/01/14 to advise that no charge could be placed on the property as the property was not taken into account for the assessment. The debt had to be settled either by payment in full or via instalments. The client requested to pay in monthly instalments over 24 months and this was referred to LBB on 06/02/14 for approval. An email from was received from LBB dated 10/02/14 to advise that the offer had been rejected and that the debt would need to be cleared over 8 months, the client was advised of this.</p>	
--------------	---	--	--

<p>contd</p>	<p>e) Executors of customer number 96036854 invoice 70052303 28/11/12 £25,315.72. Dunning letters sent in November and December 2012. A will was identified in November 2014 after the account had been on hold throughout 2012 and 2013.</p> <p>f) Customer number 96078380 invoice 70054473 21/02/13 £19,092.86. A Dunning letter was sent in March 2013. It was marked as recovery by county court first referral 12/08/13. It was initially returned from the court in July 2014 as the incorrect court fee was paid. After resubmitting, judgement was made in August 2014 and an application for a charging order submitted in January 2015.</p>	<p>The client emailed on 13/02/14 to advise that they could not accept these terms and so the matter was referred back to LBB on 19/012/14. Payments are being received each month to reduce debt; the latest payment was 15th May 2015 for £300.</p> <p>The account had been on hold for some time due to the invoice being disputed. A County Court claim has been sent to the Head of Exchequer Services for approval.</p> <p>Judgement was requested August 2014 and an official CCJ received from the County Court dated 12/09/14. Checks were carried out on the client and on 20/01/15 an email was sent to Wilkin Chapman solicitors requesting an application for a charging</p>	
--------------	--	--	--

<p>contd</p>	<p>g) Customer number 96084694 invoice 70055624 26/03/13 £23,880. There is no evidence of any Dunning letters being sent. Land charge was requested on the property in 2013. It is unclear what has happened since then.</p>	<p>order on the client's property. 23/01/15 an email was received from Wilkin Chapman to confirm that the application had been made. 04/03/15 Wilkin Chapman emailed to advise that the client had been in contact and denied receiving any contact re the judgement. 07/05/2015 an email was received from Wilkin Chapman to advise that the charging order hearing had been held on 07/04/15 and that the court had granted the final charging order for the debt plus costs.</p> <p>LBB Planning informed the Exchequer Contractor in early March 2013 that a charge was already on the property and the debt would be recovered when the property has been sold. The Exchequer Contractor will follow this up with Planning for an update.</p>	
--------------	--	--	--

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

<p>contd</p>	<p>h) Executors of customer number 96085041 invoice 70056501 30/04/13 £33,047.35. Put on hold in July 2013 after final Dunning letter sent. There was then a delay referring the case to Legal in 2014 (initially requested in February 2014). Detailed as first referral to Legal in June 2014, second and third referrals in August 2014. It is unclear what has happened since then.</p> <p>i) Customer number 96015127 invoice 52112308 30/12/13 £ 6,500. It is not clear if any action has been taken since the last Dunning letter was sent in February 2014.</p>	<p>The Exchequer Contractor were advised by the A&D team on 13/08/14 that LBB Legal would be applying for a grant of representation and this would take some time to obtain. The invoice has been marked 9.80 (with A&D team). The Exchequer Contractor requested an update on 14/05/15 and were advised to leave the invoice on hold for a further 3 months.</p> <p>There are emails between Exchequer Contractor and Bromley since February 2014 which can be found on version 1. The Exchequer Contractor received confirmation late in 2014 that the company had gone into liquidation. The liquidation documents have been requested and the Exchequer Contractor will follow</p>	
--------------	---	--	--

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

<p>contd</p>	<p>j) Executors of customer number 96086420 invoice 70058110 24/06/13 £6,462.23. One Dunning letter sent in July 2013. The account was put on hold in August 2013 to resolve a complaint until November 2013. The invoice was then payable. A letter was written in February 2014 chasing the outstanding amount. It was then in dispute in May 2014 and referred to Local Government (LG) Ombudsman who found in favour of the Council. The debt was referred to CPA debt collector in July 2014. In August 2014 the debt was changed to Exchequer Contractor for pre court checks and a CPA letter returned in October 2014.</p> <p>k) No probate results were found in search in January 2015. Customer number 96089416 invoice 70063141 25/11/13 £29,999.99. Dunning letters sent in December 2013 and January 2014 with last date for payment 16/01/14. Account was initially put on hold for one month in January 2014 but was still on hold in March 2014. Service team were contacted on a monthly basis. £14,000 was paid in April 2014. Instalments were agreed at £300 per month (on £16,000 balance) but there was a delay in commencing payment relating to the Council's solicitor. There is no evidence that any instalments have been received.</p>	<p>A probate search was completed in January 2015 which was unsuccessful. The debt collector confirmed that they were unable to collect the debt. The backing documents are currently being collated to proceed with a county court claim and this will be completed by 30/06/15.</p> <p>The invoice was placed on hold at the request of the LBB Housing Improvement team who agreed £300 per month arrangement. The Exchequer Contractor has been advised that payments are being received and paid directly to a revenue code. This was queried by the Exchequer Contractor on 20/05/15 and they are waiting for a response.</p>	
--------------	---	---	--

Project Code: RD/027/05/2015

Page 24 of 27

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

<p>contd</p>	<p>l) Streetwise customer number 96082766 invoice 70064209 16/01/14 £7,333.54. No evidence was found of any action taken since a Dunning letter was sent in February 2014.</p> <p>m) Debtor 1 customer number 95519460 invoice 70056240 24/04/13 £8,645. Defect notifications disputed; sent to service in July 2013. This is one of a number of invoices that are outstanding and relating to which there is an ongoing dispute.</p>	<p>Although the client has been making payments of £150 per month since March 2014, with the last received on 1 June 2015, the Exchequer Contractor will be contacting the client in order to agree higher instalments.</p> <p>This invoice was part paid in December 2014 and the balance is now £6,365.00. BT are communicating with the service direct regarding their dispute. The Exchequer Contractor have requested that the service department keeps them updated on the position in relation to all utility invoices that are disputed</p>	
--------------	---	---	--

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

No.7 – Instalments

- **96097001** – The client is paying £50 per month by standing order; there is a note of the payment plan in the box where the dispute marker would go.
- **96078344** – The client is paying £100 per month; there is a note of payment plan in the box where the dispute marker would go.
- **96090980** – The client is paying £916 per month; there is a note of payment plan in the bottom box where the dispute marker would go.
- **96093281** – Invoice is fully paid, it was on an arrangement of £68.13 per month; there is a note of the payment plan in the bottom box where the dispute marker would go.
- **96086455** – Invoice is fully paid, it was on an arrangement of £36.46 per month; there is a note of the payment plan in the bottom box where the dispute marker would go.
- **96022152** – They are paying £103.13 per month; there is a note of the payment plan in the bottom box where the dispute marker would go.
- **96085035** – Cannot see letter to client on DB query or in folder on our drive. The invoice is still not being paid. This will be followed up.

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

APPENDIX D

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

Project Code: RD/027/05/2015

Page 27 of 27

Priority 1

Required to address major weaknesses and should be implemented as soon as possible

Priority 2

Required to address issues which do not represent good practice

Priority 3

Identification of suggested areas for improvement

This page is left intentionally blank

FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

**FOLLOW UP REVIEW OF LEAVING CARE (Payments to Clients)
AUDIT FOR 2015-16**

Issued to: Assistant Director, Safeguarding & Social Care,
Head of Service, Care & Resources,
Head of Safeguarding, Quality Assurance and Child Protection,
Assistant Director, Strategic & Business Support Services,
Head of Finance, Education and Care Services,

Cc: Director of Finance,

Prepared by: Principal Auditor

Date of Issue: 29th September 2015

Report No.: ECH/034/01/2015

INTRODUCTION

1. This report sets out the results of our systems based follow up audit of Leaving Care (payments to clients). The audit was carried out in quarter 1 as part of the programmed work specified in the 2015/16 Internal Audit Plan, agreed by the Director of Finance and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

AUDIT SCOPE

3. This follow up review considered the final audit report issued in September 2014 and was restricted to identifying progress made on implementing the previously agreed recommendations. Interviews with the Head of Service, Group Manager and the Leaving Care Team (LCT) monitoring officer documented current working practices. A sample was selected from the current LCT clients, February/March 2015 purchase card transactions and the 2014/15 transaction report generated from ORACLE to test these procedures. The findings of the follow review up is discussed in the paragraphs below with an opinion as to whether the recommendation has been implemented, partially implemented or is still outstanding.

MANAGEMENT SUMMARY

4. The final Leaving Care report, where Internal Audit had given a nil assurance opinion, was presented to the Audit Sub Committee in November 2014. The progress on the 9 agreed priority 1 recommendations has subsequently been reported to Committee in March 2015 and June 2015. This follow up report summarises the progress reported, details the audit testing completed and confirms the current position status of each recommendation. The audit testing and interviews with management has evidenced that of the 9 agreed priority 1 recommendations, 1, relating to bank account details, has been fully implemented; 6 relating to policies and procedures, monitoring of payments, reconciliation, pathway plans cash security and purchase cards are partially implemented and 2, relating to documents to support payments and authorization and storage space are outstanding. During the follow up review Internal Audit were alerted to a shortfall in the imprest that had been identified at year end. The Children's Social Care imprest had been divided part way through the year (£5K and £10K) and subject to new procedures. An initial review of the investigation undertaken by Finance indicates that this is an area of weak control and has generated a new recommendation in this report.
5. It is acknowledged that the LCT had been through a challenging period of change when the former monitoring officer left the Authority and the elapsed time before the current post holder was able to take on operational duties. The team are working towards implementing the audit recommendations but are also having to work through the back log of unallocated scanned documents and creation of a central log for

FOLLOW UP REVIEW OF LEAVING CARE 2015-16

monitoring and reconciliation purposes. The March 2015 Audit Sub Committee update stated that “Although it was acknowledged that the service had made significant improvements to the procedures relating to payments to leaving care clients and cash handling within the division, these procedures had only been operational for a short time and the recommendations were therefore left as outstanding to be tested at a follow up review.” The June 2015 update concluded that “In our opinion we are satisfied that satisfactory progress is being made in implementing these recommendations”

SIGNIFICANT FINDINGS (PRIORITY 1)

6. The priority 1 recommendation relating to bank account details held for the clients has been tested and satisfactorily implemented, although there were no cash transfers to bank accounts included in the audit sample to test this element of the previous finding. Management confirmed that all appropriate officers in the LCT were made aware of the risk of handling client cash and the need for a high degree of control and accountability.
7. The 6 partially implemented priority 1 recommendations relating to procedures, monitoring of payments, reconciliation, pathway plan, purchase card and cash security evidenced progress however sample testing, audit spot checks and interviews with LCT officers evidenced that there were inconsistencies and errors and the creation of a central log for monitoring and reconciliation purposes was still work in progress. Insufficient progress has been made on the procedures; the monitoring officer has started this task but recent changes to the operation of the imprest halted completion. Issues raised during the follow up audit have been discussed with LCT officers and will be included in the procedures, for example updating the payment record, quoting the T number, accounting for refunds and scanning documents. The spot check on the LCT safe; reconciliation of cash holdings to the cash book and food vouchers to declared balance was unsatisfactory as the inaccuracies evidenced indicated that cash handling is not processed with due diligence. Outstanding pathway plan reviews for LCT clients are regularly monitored by the Group Manager. Audit testing and review of the Business Objects report indicated that there still needs to be improvement in this area; the 1.6.15 report highlighted 54 over pathway plans of which 13 were more than 2 months overdue. The LCT are currently reviewing their need for purchase cards and will possibly increase the number held, as this can be an effective way to procure Setting Up Home Allowance (SUHA) items for the clients. The previous monitoring officer left with numerous purchase card transactions unverified and unallocated that highlighted the need for accurate, timely and complete information available for all purchase card requests for finance (RFF). There were issues arising for 4/5 purchase card transactions tested such as missing T numbers, no RFF, authorisation after purchase, inaccuracies on the client payment record inconsistencies for VAT.
8. In the original audit, finalised in September 2014, documents to support payments was a separate finding to that of authorisation, both considered priority 1 recommendations. For the purpose of this follow up and for reporting to Members, the two were combined as one area for review and testing. There were several issues regarding the RFF, for example authorising name being overwritten when the document was reopened and modified without an adequate trail, insufficient detail on the RFF to cross reference to the supporting documents and the

FOLLOW UP REVIEW OF LEAVING CARE 2015-16

payment record. The recommendation was therefore considered outstanding. The imprest is used as a method of payment for LCT and had been a weak area of control in the audit. The Department had made numerous changes to improve control such as separating the £15K imprest to reconcile to £10K and £5K for each team, colour coding stationery to the specific team, creating a full time post for the Finance Officer and referring all appropriate staff for the online Financial Regulations training. At the time of the follow up a shortfall of £218 had been declared on the £5K imprest at year end. Finance have conducted an investigation to account for the missing funds and identified a series of discrepancies that will need to be discussed with management and indicate a need for the Financial Regulations training. A new finding and recommendation will be raised with regard to the operation and management of the imprest.

9. In the original audit the purchase card and storage facility were combined in one finding and recommendation. For the purpose of this follow up and for reporting to Members the two issues have been separated. As discussed in paragraph 7 above, the recommendation relating to purchase cards has been partially implemented. For the storage facility, there has been no significant progress with regard to utilisation, operation or value for money comparisons to support the £355 per month spent with Contractor A and therefore the recommendation is considered outstanding. The Group Manager confirmed that he has convened a working party to review the contents of the unit, to write a policy regarding retention and storage of client property and once the unit capacity is confirmed, the monitoring officer will contact alternative providers to compare costs.

DETAILED FINDINGS/MANAGEMENT ACTION PLAN

10. Any new findings and re-recommendations are detailed in Appendix B of this report and require management comment. Appendix A provides information on the recommendations that are being followed-up and Appendix C give definitions of the priority categories.

ACKNOWLEDGEMENT

11. We would like to thank all staff contacted during this review for their help and co-operation

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
1	<p>Policies and Procedures</p> <p>There are no Policies and Procedures governing the financial practices within the Leaving Care Team (LCT), specifically payments, recording, authorisation, cash handling and monitoring. Discussion with both the Group Manager and Monitoring Officer failed to evidence any appropriate documentation.</p> <p>It should be noted that the monitoring officer is apparently key to the financial procedures. Through interview and audit testing it was established that the LCT rely on this postholder to undertake the majority of case recording and monitoring and has become the control to ensure that source documents are scanned and financial records are updated to CareStore,. The monitoring officer is due to leave at the end of June; her knowledge</p>	<p>The policies and procedures have been updated in consultation with the Head of Finance and issued to the relevant staff to include all aspects of financial management.</p> <p>We are currently exploring with colleagues in the CareFirst support team any opportunities to streamline these processes to ensure accurately recording and reporting</p>	October 2014	1	<p>Head of Service – Care and Resources</p> <p>Group Manager – Leaving Care Team</p> <p>Finance Officer (C&R)</p> <p>Finance and Monitoring Officer - Leaving Care Team</p>	<p>March 2015</p> <p>The newly appointed monitoring officer has reviewed the working practices in the LCT and has rewritten the procedure, now available on the shared area for all appropriate officers.</p> <p>June 2015</p> <p>The monitoring officer had reviewed the existing procedures and updated where appropriate. These procedures are held on the shared area and a hard copy manual complete with all forms retained in the LCT office for reference. The procedures are incomplete; the monitoring officer has temporarily suspended revision given the priority to clear the backlog of records and maintain a daily operational monitoring function. It was also noted that the new arrangements for petty cash have not been included as these are still evolving. Audit testing has identified areas that need to be</p>	Partially implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
	and expertise will be a lost to the Authority that is not supported by comprehensive procedure notes to allow continuity of working practices and key controls that is demanded by the post.					clarified and agreed for example inclusion of the T number, updating the client payment record, accounting for refunds and scanning documents to upload to CareStore. .	
2	<p><u>Documents to Support Payments</u></p> <p>Ensure that the petty cash receipts are completed and signed off by the appropriate individuals to evidence the transfer of cash between officers and then receipt of the funds by the client.</p> <p>All petty cash vouchers must be retained and available for inspection to support cash payments All copies of the PCV must agree any discrepancy should be investigated and explained</p>	<p>Staff to be reminded of the need to ensure that all cash payments are accompanied by the appropriate request form and duly signed petty cash voucher by the recipient client.</p> <p>The finance officer to escalate individual issues of noncompliance with the GM – LCT for action.</p> <p>Petty cash vouchers to be scanned onto the clients CF record and retained to be presented with the petty cash reconciliation weekly report. Any discrepancies to be brought to the attention</p>	September 2014	1	<p>Group Manager – Leaving Care Team</p> <p>Finance and Monitoring Officer – Leaving Care Team</p> <p>Finance Officer</p> <p>Group Manager – Leaving Care Team</p>	<p>March 2015</p> <p>The Head of Service has introduced new arrangements for the use of petty cash, improving control, accountability, physical security and to comply with Financial Regulations. The Finance Officer responsible for the imprest is now a full time officer and clear timescales have been imposed regarding access to petty cash, completion of signed vouchers to evidence transfer, reconciliation of the account and authorisation. Vouchers and request for finance forms have been colour coded to readily identify the responsible team. Financial limits have been set for authorisation and the implications of not</p>	

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
		of the GM and Finance and Monitoring Office for investigation/explanation.			Finance and Monitoring Officer	<p>complying to the new procedures have been clearly defined. Finance officers and administrators have been put forward to complete the online Financial Regulations training. All officers in the division received the new procedures on the 6th March 2015 to go live on the 9th March.</p> <p>June 2015</p> <p>Documents to Support Payments and Authorisation: The Head of Service had introduced new arrangements for the use of petty cash, improving control, accountability, physical security and to comply with Financial Regulations. At year end there was a shortfall of £218 declared on the £5K imprest managed by Children Services. Finance have conducted an investigation to account for the missing funds and identified a series of discrepancies that will need to be discussed with management and indicate a</p>	Outstanding

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
						<p>need for Financial Regulations training for the post holders involved with the imprest. Internal Audit will be liaising with management and Finance to remedy the issues identified. From the sample testing it was evidenced that the authorisation for the Request For Finance (RFF) forms, actioned on the team site had been overwritten if the initiating officer goes back into the record to amend any details; this does not allow an adequate audit trail. There was also insufficient detail on the RRF to allow cross reference to scanned documents and the payment record to confirm supporting documentation. It was evidenced that there are procedures in place that should control the authorisation process; on line authorisation of RFF is effective and the transfer of petty cash scanning and uploading to the full time Finance Officer has shared a time consuming task but it is too soon to evaluate the</p>	

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
						<p>effectiveness of these changes. Similarly the monitoring officer is still working through the back log of documents left by the previous post holder. Resources had been allocated to scan documents but these are held in a general folder and not allocated to individual accounts. Sample testing showed that there were no scanned documents for June and July 2014 on CareStore for the selected client. This recommendation is outstanding, although the department can evidence that there is a planned objective to remedy outstanding issues and provide a controlled procedure going forward. The issues regarding the imprest will generate a new recommendation.</p>	

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
3	<p><u>Authorisation</u></p> <p>Petty cash vouchers and request for finance forms must be completed in a timely fashion, authorised by an appropriate officer and retained on the client files.</p> <p>Ensure that evidence of authorisation for any request of finance is maintained and dated.</p>	<p>Requests for funding to be authorised in accordance with the financial regulations and authorisation limits. The Finance Officer is to be instructed that that she must not release any funds without an appropriately authorised finance form.</p> <p>Where authorisation has been given over the telephone to meet an immediate need this is to be recorded on the finance form and countersigned by the appropriate manager.</p> <p>All finance forms to be scanned/copied on to the client CF record.</p> <p>A system to be introduced to ensure compliance through regular monitoring by the Finance and Monitoring Officer.</p>	November 2014	1	<p>Group Manager /Deputy Group Manager – Leaving Care Team</p> <p>Finance Officer</p> <p>Finance and Monitoring Officer</p>	<p>March and June 2015 – Combined with Documents to Support Payments - Finding 2 above</p>	

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
4	<p><u>Cash Payments to Bank Accounts</u></p> <p>Ensure that the bank account details for the young person are verified.</p> <p>Retain evidence to support that cash is being deposited into the correct account. For sample 12 evidence that the client received the 4 deposits to eliminate fraud.</p> <p>Where Bank Account details are known, make payments by BACS or other secure electronic method.</p> <p>Cash withdrawn from imprest must be banked in full and in a timely manner.</p> <p>Ensure that any petty cash withdrawn for the client is reconciled against the authorised amount</p>	<p>All regular cash payments paid manually into a client's bank account to be reviewed and transferred to the BACS system if possible.</p> <p>Cash payments that need to be paid manually into a client's bank account must be done in such a way to ensure that the payee details are recorded.</p> <p>Bank account details in relation to the clients account must be kept of the CF record after verification to enable reconciliation between paying in advice and the bank account details. These details must be verified by the client (i.e. copy of personalised paying in slip, signed confirmation of bank account details etc).</p> <p>Cash withdrawn on</p>	September 2014	1	<p>Group Manager – Leaving Care Team</p> <p>Finance and Monitoring Officer</p> <p>Finance Officer</p>	<p>March 2015 The client will sign to confirm that the bank account details held by the LCT are correct. Staff have been instructed that in all cases a receipt is to be obtained when cash is deposited into a client account.</p> <p>June 2015 For the sample of clients there was a completed, signed form confirming their bank details held on a summary record available in the shared area. The majority of clients receive funding by BAC transfer. At the time of the follow up, 11 clients received their weekly allowances by cash this was evidenced and controlled by a weekly sheet duly authorised. There was no evidence of officers depositing cash to client bank account in the follow up testing.</p>	Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
		<p>behalf of clients to be paid into their bank account must be deposited on the day of withdrawal. Where this is not possible, the money must be handed to the Finance Officer for safe storage in the safe. A system to be immediately introduced which records all money held in the safe on behalf of clients, together with the date and signature of the relevant member of staff at the time of reissue.</p>					

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
5	<p><u>Monitoring of Payments</u></p> <p>Review the monitoring function to ensure that adequate controls are in place to ensure client payments are within the set allowances. Set up a payment record on CareStore to ensure that all payments are recorded to allow adequate monitoring and control that allowances and grants are not exceeded</p> <p>Clarify the role and responsibilities of all LCT officers to ensure records are accurate and completed in a timely manner to ensure effective monitoring.</p> <p>Agree and specify the process to exceed £2,500 threshold for leaving care grant. Utilise the overpayments report to monitor and reconcile payments to authorisations.</p>	<p>All payments to clients to be recorded accurately on CF. Work to be undertaken with the CareFirst support team to see if it is possible for this to be an automated process (by creating a form that records individual payments and provides an overview report). Guidance to be produced for staff.</p> <p>Where it is agreed that a payment may be made that would exceed to the £2,500 setting up home allowance limit – this to be fully recorded with supporting reasons of the CF record.</p>	November 2014	1	<p>Head of Service – Care and Resources</p> <p>Group Manager / Deputy Group Manager - Leaving Care Team</p>	<p>March 2015</p> <p>The monitoring officer has reviewed the process to update individual client accounts. New arrangements are in place to ensure that more than one officer has access to and is able to complete this task rather than relying solely on one officer. Any payments over and above the agreed limits for a leaving care child is now subject to additional authorisation.</p> <p>June 2015</p> <p>The individual client accounts held on CareStore should be updated for all payments made to the individual and should be checked prior to completing the RFF to ensure there are sufficient funds available. Interim procedures have requested that LCT officers update their own cases but this has not been applied consistently. The limited testing completed identified that the payment record had not been completed and needs to be addressed in the review</p>	Partially Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
						<p>of procedures. The monitoring officer clears all authorised RFF from the team site and it would therefore be timely and appropriate for this officer to be responsible for updating the records, although the team will need to consider an alternative to cover absence. There was no evidence that a child has exceeded the £2,500 limit for leaving care grant to initiate the additional authorisation. The monitoring officer is creating a central log of payments to allow reconciliation to the main accounting system and achieve more effective monitoring of the grants and allowances paid to each child. Improvements have been made to the monitoring function but as all elements are work in progress this is considered as partially outstanding.</p>	

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
6	<p><u>Reconciliation</u></p> <p>Reconciliation between the LCT records and the values shown in the Authority's accounts should be undertaken regularly to confirm that information is reported correctly, identify miscoding's and as part of the monitoring process.</p> <p>Periodically review the costs allocated to the default code in Authority's accounts to verify the expenditure and allocation to the specific client.</p>	<p>We are currently working with the ECHS Head of Finance and other finance colleagues and CareFirst Colleagues to identify whether the reconciliations between spend via CareFirst and details held in Oracle can be automatically reconciled and reviewed.</p> <p>Should this not be possible we will identify an alternative tracking mechanism, with clear lines or responsibility and accountability</p>	November 2014	1	<p>Head of Service – care and Resources</p> <p>Head of ECHS Finance</p> <p>CareFirst Support Team</p> <p>Group Manager – Leaving Care Team</p> <p>Finance and Monitoring Officer</p>	<p>March 2015</p> <p>The team are working with the Head of Finance and the Senior Accountant to attempt reconciliation between the monitoring records held on CareStore and the Authority's main accounting system. It has been established that this cannot be a direct reconciliation but development of data held on spread sheets may improve control and is work in progress. The client specific "T code" cannot be included in the expenditure code if payment is generated from CareFirst and will still be shown as a default code. The monitoring officer will need to account for all default expenditure and allocate to client accounts for monitoring purposes.</p> <p>June 2015</p> <p>The team had worked with Finance to attempt reconciliation between the monitoring records held on CareStore and the Authority's</p>	Partially Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
						<p>main accounting system (ORACLE). The monitoring officer is working from a Discoverer report generated from ORACLE to create a central log for all LCT grants and allowances which will then allow effective reconciliation. It was previously reported that expenditure was being coded to a default code when the client "T code" was not specified. It is accepted that payments through CareFirst have to be transferred manually as there are insufficient characters in the expenditure code field, however for purchase cards and petty cash payments when the expenditure code is input manually the T code should always be utilised. For 2014-15, £87,247 was allocated to the default code of which £21,483 related to purchase cards and £4,015 related to cash payments. £37,480 was leaving care grant funding that must be allocated to the specific child for effective monitoring.</p>	

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
						Progress is being made to implement this recommendation but as the work is still in progress it is partially implemented.	
7	<p><u>Pathway Plan</u></p> <p>Ensure that completed Pathway Plans are in place and reviewed as appropriate compliant with legislation.</p>	<p>The completion of Pathways plans is now monitored as part of the Divisional performance monitoring on a monthly basis and the performance data is published and scrutinised monthly by the senior management team. Performance issues are addressed with the GM and SGM;s for action</p>	September2014	1	<p>Head of Service – Care and Resources</p> <p>SMT</p> <p>Group Manager / Deputy Group Manager - Leaving Care Team</p>	<p>March 2015 The plans are now included on the performance digest, reported monthly to management to allow monitoring of completed plans and reviews.</p> <p>June 2015 For the sample of 5 clients, 2 had a completed Pathway Plan within 6 months of their 16th birthday and 6 monthly reviews thereafter. For 3 of the cases the review exceeded 6 months but it is acknowledged that these related to 2011 and 2013. The Group Manager monitors the outstanding Pathway Plan reviews via a Business Objects report available daily. As at 1.6.15 there were 54 cases overdue of which 13 were more than 2 months overdue.</p>	Partially Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
8	<p><u>Purchase Cards</u></p> <p>All payments must be recorded on the clients payment record</p> <p>Review the storage space rented from Contractor A to ensure the cost represents value for money.</p> <p>Review the policy for retention and disposal of client belongings.</p> <p>Ensure the inventory is up to date for insurance purposes.</p> <p>Evidence competitive quotes for the continued use of the Contractor A storage facility.</p>	<p>A system has been introduced to ensure that any purchase made on behalf of a young person using a corporate procurement card is recorded on CF with all other expenditure.</p> <p>It is sometimes necessary to store young people's belongings (including large items) if for example, they are remanded in custody or receive a custodial sentence. The GM will review the space requirements and work with the facilities team to see if we can identify a more cost effective solution.</p>	November 2014	1	<p>Group Manager – Leaving Care Team</p> <p>Finance and Monitoring Officer</p> <p>Group Manager - Leaving Care Team</p>	<p>March 2015</p> <p>The monitoring officer has reviewed the storage needs of the team and confirmed that unit is being fully utilised but is currently market testing alternative providers. The previous monitoring officer left the Authority with 29 transactions outstanding and unverified. The Group Manager is processing these payments and will authorise once allocated to a code and client. The LCT are reviewing their need for purchase card holders; expenditure will be subject to the same rigorous controls to be imposed for petty cash.</p> <p>June 2015</p> <p>Purchase Card: The outstanding purchase card transactions for the previous monitoring officer are being reviewed, validated and allocated but without adequate supporting documentation this has been a lengthy process.</p>	Partially Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
						<p>The original recommendation related to the need for all purchase card expenditure to be updated to the client payment record. Follow up testing has shown that for a sample of 5 transactions in February and March 2015, 1 was supported by an authorised Request for Finance (RFF) and satisfactorily updated to the client payment record. However issues were identified for the other 4 cases tested; no RFF evidenced, RFF authorised after the purchase date, unique client T number not included in the expenditure code, value on the payment record did not agree to the actual value and inconsistency with recording vat. All of these issues will need to be addressed by revised procedures to be rolled out to LCT officers. The recommendation is considered partially implemented as the payment records had been updated to record expenditure</p>	

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
						<p>against the leaving care grant.</p> <p>Storage space: The Group Manager has convened a working party to review the storage needs of the LCT, this will include updating the inventory, consider disposal of items and establish a policy for storage. The need does fluctuate as LCT clients are moved out of their accommodation and require support until they can be rehoused. The existing storage is currently full thus supporting the need for the size of the unit at a monthly cost of £355 with a company, however there has been no comparative costing or exploration of options to evidence value for money. The recommendation is therefore outstanding.</p>	<p>Outstanding</p>

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
9	<p>Cash Security Ensure that access to cash in the safe is controlled at all times.</p> <p>Remind LCT officers that they should comply with agreed financial procedures when handling cash and transferring client monies</p> <p>A record of cash holdings must be introduced to control client funds awaiting collection. LCT officer should sign against the relevant entry as cash is issued. An independent officer should routinely reconcile this record to the cash held.</p>	<p>Access to the safe is strictly limited to the GM (or deputy in his absence), the Finance Officer and the Finance and Monitoring Office</p> <p>Financial guidance to be re-issued to all staff which clearly outlines the procedures and processes that must adhered to by all staff</p> <p>A system to be immediately introduced which records all money held in the safe on behalf of clients, together with the date and signature of the relevant member of staff at the time of reissue.</p>	September 2014	1	<p>Head of Service – Care and Resources</p> <p>Group Manager - Leaving Care Team</p>	<p>March 2015 The Head of Service is moving the Finance Office and the safe from the ground floor to the first floor. The new cash procedures do not allow a sub float of cash holdings in the LCT. Any cash drawn for a client and not collected that day is to be held in the main safe for 24 hours then repaid and cancelled. Any officer found holding cash will be subject to disciplinary action.</p> <p>June 2015 It was previously reported that the new procedures effective from the 9.3.15 would not allow cash holdings to be retained in the LCT for more than 24 hours. The monitoring officer has introduced a record of all deposits and issues to support the cash held in the LCT safe. An audit check on the safe 28.5.15 evidenced 3 entries for a total cash value of £155 not in the safe. An envelope for £10 cash was recorded as issued. Clearly this record is not effective and</p>	Partially Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
						<p>should be extended to include officer's signature to ensure accountability. Seven of the cash holdings related to withdrawals exceeding 1 week and should have been returned to the main imprest. The safe check also reconciled the food vouchers held and evidenced that there were £505 unused vouchers but the record showed £485. The difference indicates a lack of control for the distribution of vouchers.</p>	

Original recommendation No.	Recommendation	Priority	Management Comment	Responsibility	Agreed Timescale
2&3	<p><u>Documents to Support Payments</u> Ensure that the petty cash receipts are completed and signed off by the appropriate individuals to evidence the transfer of cash between officers and then receipt of the funds by the client.</p> <p>All petty cash vouchers must be retained and available for inspection to support cash payments All copies of the PCV must agree any discrepancy should be investigated and explained</p> <p><u>Authorisation</u> Petty cash vouchers and request for finance forms must be completed in a timely fashion, authorised by an appropriate officer and retained on the client files.</p> <p>Ensure that evidence of authorisation for any request of finance is maintained and dated.</p>	1* (O/S)	<p>Staff have been reminded that cash will only be issued when an appropriately authorised request is made using the right documentation. Cash authorization limits have been re-circulated.</p> <p>Staff have been reminded that they need to ensure that receipts are obtained upon payment, scanned to the client file and passed to the finance officer to be used as part of the reconciliation process.</p>	<p>Group Manager - Leaving Care Team - Finance Officer</p> <p>Head of Service – Care & Resources</p>	<p>September 2015</p> <p>September 2015</p>

8	<p><u>Storage Space</u> Review the storage space rented from Contractor A to ensure the cost represents value for money.</p> <p>Review the policy for retention and disposal of client belongings.</p> <p>Ensure the inventory is up to date for insurance purposes.</p> <p>Evidence competitive quotes for the continued use of the Contractor A storage facility.</p>	1* (O/S)	<p>A review of external storage has been undertaken and the price re-negotiated, following exploration of alternative facilities which has resulted in a price reduction. A contract will be awarded for the provision of offsite storage to comply with financial regulations.</p> <p>The policy of the storage of client property will be updated to include maximum periods for storage (except in exceptional circumstances i.e. YP in custody). Property remaining beyond the agreed storage period will be disposed of in compliance with the policy and where it is lawful for us to do so.</p> <p>Arrangements will be made to ensure that all properly stored in fully 'logged in and out'.</p>	<p>Group Manager - Leaving Care Team</p> <p>Group Manager - Leaving Care Team</p> <p>Group Manager - Leaving Care Team</p>	<p>September 2015</p> <p>End October 2015</p> <p>End October 2015</p>
1	<p><u>Policies and Procedures</u> There are no Policies and Procedures governing the financial practices within the Leaving Care Team (LCT), specifically payments, recording, authorisation, cash handling and monitoring. Discussion with both the Group Manager and Monitoring Officer</p>	1* (Partial)	<p>The policies and procedures are being updated to ensure compliance with financial regulations which will include appropriate authorisation and monitoring.</p>	<p>Group Manager - Leaving Care Team</p> <p>Leaving Care Team Monitoring Officer</p>	<p>September 2015</p>

	<p>failed to evidence any appropriate documentation.</p> <p>It should be noted that the monitoring officer is apparently key to the financial procedures. Through interview and audit testing it was established that the LCT rely on this postholder to undertake the majority of case recording and monitoring and has become the control to ensure that source documents are scanned and financial records are updated to CareStore,. The monitoring officer is due to leave at the end of June; her knowledge and expertise will be a lost to the Authority that is not supported by comprehensive procedure notes to allow continuity of working practices and key controls that is demanded by the post.</p>				
--	--	--	--	--	--

<p>5</p>	<p><u>Monitoring of Payments</u></p> <p>Review the monitoring function to ensure that adequate controls are in place to ensure client payments are within the set allowances. Set up a payment record on CareStore to ensure that all payments are recorded to allow adequate monitoring and control that allowances and grants are not exceeded</p> <p>Clarify the role and responsibilities of all LCT officers to ensure records are accurate and completed in a timely manner to ensure effective monitoring.</p> <p>Agree and specify the process to exceed £2,500 threshold for leaving care grant. Utilise the overpayments report to monitor and reconcile payments to authorisations.</p>	<p>1* (Partial)</p>	<p>The policies and procedures are being updated to ensure compliance with financial regulations which will include appropriate authorisation and monitoring.</p>	<p>Group Manager - Leaving Care Team Leaving Care Team Monitoring Officer</p>	<p>September 2015</p>
<p>6</p>	<p><u>Reconciliation</u></p> <p>Reconciliation between the LCT records and the values shown in the Authority's accounts should be undertaken regularly to confirm that information is reported</p>	<p>1* (Partial)</p>	<p>The policies and procedures are being updated to ensure compliance with financial regulations which will include appropriate authorisation and monitoring.</p>	<p>Group Manager - Leaving Care Team Leaving Care Team Monitoring Officer</p>	<p>September 2015</p>

	<p>correctly, identify miscoding's and as part of the monitoring process.</p> <p>Periodically review the costs allocated to the default code in Authority's accounts to verify the expenditure and allocation to the specific client.</p>		<p>A review of the JD for the monitoring officer has been completed to ensure that there is sufficient capacity to complete monitoring tasks</p>	<p>Group Manager - Leaving Care Team</p>	<p>September 2015</p>
7	<p><u>Pathway Plan</u></p> <p>Ensure that completed Pathway Plans are in place and reviewed as appropriate compliant with legislation.</p>	<p>1* (Partial)</p>	<p>Work has been undertaken to ensure that Pathway Plan have been completed on all young people that require them and that reviews and updates are completed within timescales.</p> <p>Performance is reported as part of the monthly performance monitoring arrangements and scrutinized by SMT</p>	<p>Group Manager - Leaving Care Team</p> <p>Head of Service – Care & Resources Group Manager - Leaving Care Team Performance Team</p>	<p>September 2015</p> <p>September 2015</p>
8	<p><u>Purchase Cards</u></p> <p>All payments must be recorded on the clients payment record</p>	<p>1* (Partial)</p>	<p>The policies and procedures are being updated to ensure compliance with financial regulations which will include appropriate authorisation and monitoring.</p> <p>Responsibility for ensuring that spend is properly recorded has</p>	<p>Group Manager - Leaving Care Team Leaving Care Team Monitoring Officer</p>	<p>September 2015</p> <p>September 2015</p>

			been communicated to staff	Group Manager - Leaving Care Team	
9	<p><u>Cash Security</u> Ensure that access to cash in the safe is controlled at all times.</p> <p>Remind LCT officers that they should comply with agreed financial procedures when handling cash and transferring client monies</p> <p>A record of cash holdings must be introduced to control client funds awaiting collection. LCT officer should sign against the relevant entry as cash is issued. An independent officer should routinely reconcile this record to the cash held.</p>	1* (Partial)	A review of cash handling and the correct operation of the imprest accounts has been undertaken with colleagues from the finance team. This has identified some weaknesses that are being addressed through a changes to the job description and skill set of the finance officer and changes to the role of the monitoring officer to allow greater scrutiny of processes.	Group Manager - Leaving Care Team	September 2015
10	The Department should remedy the discrepancies identified in the	2	A review of cash handling and the correct operation of the imprest	Head of Service – Care & Resources	October 2015

	<p>Finance investigation for the imprests.</p> <p>Identify the weakness in the operation and management of the two imprest accounts, £10K and £5K to improve control.</p> <p>Ensure that the imprest operation is compliant to Financial Regulations.</p> <p>Nominate the Finance Officer and all other appropriate officers who use the imprest for the online Financial Regulations training.</p>		<p>accounts has been undertaken with colleagues from the finance team. This has identified some weaknesses that are being addressed through a changes to the job description and skill set of the finance officer and changes to the role of the monitoring officer to allow greater scrutiny of processes.</p> <p>All staff involved in administering the imprest accounts to undertake financial regulations training.</p>	<p>Group Manager - Leaving Care Team Leaving Care Team Monitoring Officer</p> <p>Head of Service – Care & Resources</p>	<p>October 2015</p>
--	---	--	--	---	---------------------

Definition of priority categories.

Priority 1

Required to address major weaknesses and should be implemented as soon as possible

Priority 2

Required to address issues which do not represent good practice

Priority 3

Identification of suggested areas for improvement

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

FOLLOW UP REVIEW OF PURCHASE CARDS
AUDIT FOR 2015-16

Issued to: David Starling, Head of Corporate Procurement
Claudine Douglas, Head of Exchequer Services

Cc: Peter Turner, Director of Finance

Prepared by: Principal Auditor

Date of Issue: 13th October 2015
Report No.: CX/072/02/2015

INTRODUCTION

1. This report sets out the results of our systems based follow up audit of Purchase cards. The audit was carried out in quarter 3 as part of the programmed work specified in the 2015/16 Internal Audit Plan, agreed by the Director of Finance and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

AUDIT SCOPE

3. This follow up review considered the final audit report issued in July 2014 and was restricted to identifying progress made on implementing the previously agreed recommendations. Interviews with the Procurement Officer and Card Administrator documented current working practices. A sample was selected from purchase card transactions from 1st January 2015 to 1st September 2015 and the monthly reports generated by the Card Administrator. The findings of the follow review up is discussed in the paragraphs below with an opinion as to whether the recommendation has been implemented, partially implemented or is still outstanding.

MANAGEMENT SUMMARY

4. Of the 11 recommendations made in 2014/15, 8 have been fully implemented, one has partially implemented and two have not been implemented. One of those recommendations that has not been implemented relates to staff who have not undertaken Financial Regulations and Contract Procedure Rules training. The two training programs are due to be updated and thus it will not be recommended that staff undertake these until they have been updated.

SIGNIFICANT FINDINGS (PRIORITY 1)

5. No significant findings were identified during the audit and the three previous priority one recommendations made, have all been implemented.

DETAILED FINDINGS/MANAGEMENT ACTION PLAN

6. Appendix A provides information on the recommendations that are being followed-up and Appendix C give definitions of the priority categories. Appendix B provides details of recommendations that have not been implemented and further actions to be taken.

ACKNOWLEDGEMENT

7. We would like to thank all staff contacted during this review for their help and co-operation

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
1	Controls should be put in place to ensure staff do not leave with an active purchase card.	Procurement comment: As identified, prime responsibility for action rests with managers., However, the issues highlights other areas of concern around "Leavers" - for instance - asset and data access & security, return and/or repayment for equipment and of loans etc. A secondary control would require HR to circulate or provide access to) a weekly" Leavers" list to named officers with responsibilities in the above area. If this was done the Finance Officer who supports the Purchase Card System would be able to take prompt action in disabling the cards and alerting management to any outstanding requirements. HR to be consulted about making this list available to the Finance Officer.	immediately	2	Managers – Prime responsibility. Directors/ Heads of Service - Any initial none Notification and follow up.	The HR system has been updated to include a record of purchase cards, phones etc. An email is sent by HR to the card administrator when a member of staff with a purchase card leaves Identified that one former member of staff left but still had an active purchase card 10 days after they had left. No expenditure was incurred during this time. This was due to the card not being returned by the department and the card administrator being on leave so unable to action.	Implemented
2	Staff should be offered refresher training or a reminder about updates to procedures should be sent to cardholders and approvers.	Users and their managers are regularly updated on any changes to procedures, which are	31 July 2014	3	Head of Corporate Procurement	These were sent out on 16/05/14 by the Procurement Officer.	Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
		hosted and accessible on Bromley Knowledge. Amendments on all current issues have already been completed and a "Heavy" "News Flash" update will be issued on the Audit findings to further highlight findings and their requirements / responsibilities. The opportunity for refresher training is always available and will be further covered in the update.					
3	Staff who are issued a purchase card should have to undertake the interactive Financial Regulations and Contract Procedure Rules Training.	All managers were requested to identify and nominate for this training all staff involved in Financial/Contracting activity. This will be drawn to their attention again and any staff or managers not completing within 3 Months will have their card withdrawn	30th September 2014	2	Prime Responsibility - Directors/Manager Corporate Procurement (CPR's) and Audit FR's) to monitor and take action as necessary	Of 109 current card holders, 49 have not passed the Financial Regulations course, 60 have not passed the CPR course. <i>Audit Comment</i> The Financial Regulations and Contract Procedure rules training courses are now over 3 years old and will shortly be reviewed. Once this has taken place, staff will be identified who will be required to implement this.	Not implemented
4	Staff should be reminded to code transactions to the correct subjective code.	This is a responsibility for Budget Holders and Approvers. Will include need in News Flash	31st July 2014	2	Approvers/Budget Holders Head of Corporate Procurement	Testing of a sample of 10 transactions, found two which had been coded to the wrong subjective. These have been coded to the correct cost center.	Implemented
5	Management should consider reviewing those cards that have been	List will be provided to Management for them to	31st July 2014	2	Directors/Managers	The transactions from 03/03/15 to 03/09/15 were examined and it was	Partially implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
	issued to staff with little or no use.	respond.			List to be provided by Card Administrator/ Corporate Procurement	found that 98 card holders had used their card out of 107 active cardholders. Five card holders have a card for emergency purposes only. Thus there were four users who have not used their card, in this period. 43 card holders used the card less than 10 times in this period. 20 of which have used less than 5 times.	
6	Staff with purchase cards cannot split transactions across two or more purchase cards to avoid FR/CPR requirements authorisation procedures. If this occurs then withdrawal of the card should be actioned.	Control Process will require analysis to be provided by FN from PCard data – suggest then added to monthly reports to be issue to management.	31st July 2014	1	Directors/Managers Analysis report to be provided by Card Administrator/ Corporate Procurement	This has been incorporated into the monthly monitoring reports. Examination of the monthly reports for the last year have identified 4 instances where card holders have split transactions. In each instance this was highlighted to the member of staff and their Manager. The staff were instructed they should not do so.	Implemented
7	Immediate action to be taken by managers to approve outstanding transactions on MiVision on a timely basis and to continue to do so. Purchase cards should be removed from departments where transactions are not processed or approved within 3months.	Information is issued on a regular basis – Will reissue and set new policy – “Any Transactions not cleared in 3 Months, cards will be withdrawn from User and / or Manager – Add to Monthly report	31st July 2014	2	Directors/Managers Card Administrator/ Corporate Procurement to provide info.	It was identified that on the 19/08/15 there were 90 transactions (£11144.70) that had not been processed by the card holder within one month, 43 of which were over 3months (£5154.26) and 12 over a year old (£1284.50). It was identified that on the 25/04/14 there were 174 transactions (£17738.67) that had not been processed by the card holder within one month, 71 of which were over 3months (£9329.82) and 11 over a year old (£764.09). Those over 3 months include one payment to Curry’s	Not implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
						<p>for £477.99, seven to Argos of £319, £444.99, £429.99, £238.99, £708.93, £338.93 and £1013.49.</p> <p>Of transactions awaiting approvers 147 are over one month old £10810.89. 56 transactions are awaiting approver over 3 months £6088.59 and 15 over one year, £1614.33.</p> <p>During the 2014/15 audit It was found that 128 transactions were awaiting approval by the Approver for over one month (£7849.03), 24 of which were over 3months (£1661.50) and 2 over one year (both transactions are for members of staff who have now left £226.76). Those over 3months include one transaction of £240.72 to Supplier A and three payments to Supplier B of £108.21, £161.94 and £176.41.</p>	
8	<p>Staff should be reminded of the requirement to request proper VAT invoices and receipts. They should also be reminded of the requirement to reclaim VAT on transactions where eligible. Non-compliance with this requirement should result in withdrawal of the card.</p> <p>Where possible a back dated claim is made to recover VAT if receipts are available.</p>	<p>Has been done and is also an element of FP/PC training – but not a matter we can fully overview centrally. Particularly where bills have split VAT/None Vat elements– will have to be for Management at local level to ensure. On a trial basis CP/FN will see if some elements of central monitoring overview on the limited</p>	31st July 2014	1	<p>Directors/Managers</p> <p>Card Administrator /Corporate Procurement Will include (again) in “News flash”</p>	<p>As part of the reminder about procedure sent round in August 2014, staff were reminded to attached invoices/receipts and to claim VAT where applicable.</p> <p>The Procurement Officer checks on a monthly basis a sample of payments prior to them being posted, to make sure VAT is being claimed for and invoices attached where expected.</p> <p>Of 972 transactions posted between 03/06/15 and 03/09/15 (with a value of £57389.27 had a VAT element of</p>	Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
		<p>basis identified can route out main culprits for additional training or having cards withdrawn.</p> <p>CP to issue a reminder to Chief Officers of the requirements for card holders to claim VAT and reclaim it for past transactions and that this will be reported to audit Sub.</p>			Head of Corporate Procurement	<p>£3811.45.</p> <p>This compares to the 1523 transactions purchased between 01/01/14 and 31/03/14 (with a value of £96251.24), for which there was £2029.94 of VAT claimed.</p> <p>A sample of 10 transactions was tested from 01/03/15 to 01/09/15 and it was found that for all but one, VAT had been correctly accounted. For this transaction where this was not the case, the transaction was returned to the card holder with a note to include the VAT amount.</p> <p>£1329 of unclaimed historic VAT was claimed in June 2015.</p>	
9	Card Holders and Approvers should be reminded that cards are issued to individuals and are to be utilised by them only.	<p>Has been done and is also an element of FP/PC training – but not a matter we can overview centrally – will have to be for Management at local level to ensure. If identified card should be taken away from Card holder and/or Authoriser.</p> <p>Will be included (again) in “News flash”</p>	31st July 2014	2	Directors/Managers Card Administrator/ Corporate Procurement to send reminder	<p>This was incorporated in the update issued in August 2014 to card holders.</p> <p>Discussion with the Card Administrator sated that he is not aware of this happening. Audit is not aware of any instances where this is still happening.</p> <p>The five most frequent users of purchase card transactions were checked and it was found that at as far as possible to tell, all transactions were purchased by the cardholder.</p>	Implemented
10	Procedures should be amended to insure all invoices and receipts are scanned and attached to MiVision. If not possible they must be retained for at least 6 years. Non-compliance	Has already been done and Notified to Card holders and Authorisers Requirement is a FR/FPS and covered in	31st July 2014	1	Directors/Mangers	<p>This was actioned during the audit as per an email sent out by the Procurement Officer. 16/05/14.</p> <p>Of 387 transactions posted between</p>	Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
	will result in withdrawal of the card.	all training FN/CP Will be included (again) in "News flash"				03/06/15 and 03/09/15, 352 had a receipt attached (also 5 transaction were by a user who cannot attach receipts and 7 refunds).	
11	Cardholders and approvers should be reminded of the requirements of financial regulations and contract procedure rules. If there is no satisfactory explanation appropriate action should be taken to recover the monies and warn the cardholder.	Chief Officers to ensure transactions comply with Financial Regulations. Approvers to be contacted to ensure repayments are made for transactions that don't comply with Fin Regs.	Immediately	2	Chief Officers	Officers have been reminded of this requirement. In the last 12 months, explanation has been requested for 5 transactions with a sufficient explanation received for 4 of these. For the other transaction, the card holder has now left the authority.	Implemented

Rec No	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
Re-Rec 1	Management should consider reviewing those cards that have been issued to staff with little or no use.	2*	Corporate Procurement will write to the Managers of the card holders, where there is no use and ask if there is still a need for the card.	Head of Corporate Procurement	November 2015
Re-Rec 2	<p>Immediate action to be taken by managers to approve outstanding transactions on MiVision on a timely basis and to continue to do so.</p> <p>Purchase cards should be removed from departments where transactions are not processed or approved within 3months.</p>	2*	Reports showing outstanding transactions to be reported to Managers as well as cardholders. An initial warning to be given to staff to clear transactions, or it will be escalated to Head of Service/Director. Subject to agreement by Chief Officers/ Chief Executive.	Head of Internal Audit/ Card Administrator	December 2015

Definition of priority categories.

Priority 1

Required to address major weaknesses and should be implemented as soon as possible

Priority 2

Required to address issues which do not represent good practice

Priority 3

Identification of suggested areas for improvement

This page is left intentionally blank

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF BUILDING MAINTENANCE AUDIT FOR 2014-15

Issued to: Mark Bowen, Director of Corporate Services
Andrew Brook, Head of Operational Property

Prepared by: Principal Auditor

Date of Issue: 23/06/2015

Report No.: CX/012/02/2014.bf

REVIEW OF BUILDING MAINTENANCE AUDIT FOR 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of Building Maintenance Audit for 2014-15. The audit was carried out in Q4 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 24/11/2015. The period covered by this report is from 01/04/2014 to 31/03/2015.
4. The overall Corporate Operational Property budget in 2014/15 was £2,247,000. This budget is split between various planned maintenance and reactive maintenance activities.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

REVIEW OF BUILDING MAINTENANCE AUDIT FOR 2014-15

MANAGEMENT SUMMARY

7. The remit of this audit was to focus on the follow up of Priority 1 recommendation and other recommendations made as part of Building Maintenance audit for 2012-13. A small sample of projects was reviewed to ensure that prior recommendations have been implemented. Follow up highlighted that 10 of 11 recommendations have been implemented. Ten recommendations relating to application of tendering process, project monitoring and maintenance of project records have been implemented. One recommendation relating to completion of customer satisfaction surveys is still not fully implemented. This is being re-recommended in this report.
8. Controls are working well in the areas of the application of tendering process, project monitoring and maintenance of project records, however, we would like to bring to management's attention the following:
 - Cumulative spent on cyclical maintenance with one supplier in the sample has not been monitored
 - Post completion customer satisfaction survey were not sent to respective customers in 2/5 Planned Maintenance projects reviewed.

SIGNIFICANT FINDINGS (PRIORITY 1)

9. There is no priority one finding in this report.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

11. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>A sample of 5 suppliers with highest cumulative spent on cyclical maintenance works was selected for review from a report of expenditure on cyclical maintenance works in 2014-15.</p> <p>1/5 of the sample reviewed was the maintenance term contract with supplier A to undertake cyclical electrical maintenance work for LBB. The contract was reviewed to ensure compliance with the terms of contract. It was noted that the contract did not include an indicative annual expenditure amount. Total cumulative spent with this supplier was £110,419 in 2014-15.</p>	<p>Inappropriate expenditure may go unnoticed.</p>	<p>All maintenance term contracts should have an indicative annual value to facilitate monitoring of spent.</p> <p>[Priority 2]</p>
2	<p>A sample of 5 planned maintenance projects from Planned Maintenance programme for 2014-15 was reviewed and for 2/5 projects post completion customer satisfaction surveys were not sent to the respective customers.</p>	<p>Inadequate work would not be challenged.</p>	<p>Post completion customer satisfaction survey should be undertaken to assess suppliers' performance.</p> <p>[Priority 2*]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	All maintenance term contracts should have an indicative annual value to facilitate monitoring of spent.	2	Ensure any future Maintenance Term Contracts developed by the Team do include an indicative annual spend figure.	Head of Operational Property	23/06/2015
2	Post completion customer satisfaction survey should be undertaken to assess suppliers' performance.	2*	Ensure Customer satisfaction surveys are being distributed, upon completion of defect periods.	Head of Operational Property	23/06/2015

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

OPINION DEFINITIONS

APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

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



FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF OAK LODGE PRIMARY SCHOOL AUDIT FOR 2015-16

Issued to: Mr M Apsley, Headteacher

Cc: Mrs A Medhurst, Chair of Governors

Prepared by: Principal Auditor Bromley
Liberata Audit

Date of Issue: 6th October 2015.
Report No.: CYP/P43/01/2013

REVIEW OF OAK LODGE PRIMARY SCHOOL AUDIT FOR 2015-16

INTRODUCTION

1. This report sets out the results of our systems based audit of Oak Lodge Primary School Audit for 2015-16. The audit was carried out in quarter Q2.
2. The purpose of this visit is to identify any issues which need to be resolved prior to proposed closure of the accounts, and the School converting to an Academy. Therefore appropriate audit testing was carried out.
3. The controls we expect to see in place are designed to minimise the school's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
4. The original scope of the audit was outlined to the school prior to the review. The period covered by this report is from 01/04/14 to 10/07/15.

AUDIT SCOPE

4. The scope of the audit was to review both income and expenditure transactions for the period of the audit, bank reconciliations, asset controls, payroll, cash controls, governance and budget monitoring arrangements.

MANAGEMENT SUMMARY

5. Controls were in place and working well in the areas of, financial reports and returns to LBB, Primary accounting documentation including payments, leases, contracts, voluntary funds, school meals accounts. In addition, governance arrangements at the school including updating DBS checks.

REVIEW OF OAK LODGE PRIMARY SCHOOL AUDIT FOR 2015-16

6. Issues to raise to management include:

- Governors are not always given an opportunity to declare interests at the start of committee meetings
- Benchmarking of expenditure has not been carried out for 2 years
- A cash flow statement has not been created for the 2015/16 financial year
- Asset registers have not been signed off by the Head Teacher and items are recorded as on it which are no longer held.
- Tenders requested by the Consultant on behalf of the school were not opened at the school or held by them.
- Controls to access to the safe are insecure and the cash limit of what is held is being exceeded.
- Records are not retained of cash or secure items being held in the safe.
- Records are not being kept of sales being made and income is not reconciled to sales figures or stock levels.
- FSA money is held in the safe and it is not reconciled.

It was also found that two purchase orders had been raised after the invoice had been received and the School's Voluntary fund had recently been amalgamated into the School's accounts (at the 1st April 2015). The account is currently being reconciled and will be promptly audited.

SIGNIFICANT FINDINGS (PRIORITY 1)

7. One major weakness was identified and should be addressed by management promptly

Examination of the safe list (provided in the 2013-14 cash and Bank audit) found the limit for cash to be held in the School's safe was £600. Counting of all of the cash held in the safe found it totalled £4939.73. It was discussed with the Business Manager that it was not always possible to keep everything in the safe due to the size off it. It was also noted that items such as paying in books and bank mandate are held in the safe, which do not need to be.

Stamps are held in the safe, though there is no stock control process in recording the use of these and how many have been purchased.

REVIEW OF OAK LODGE PRIMARY SCHOOL AUDIT FOR 2015-16

Money held in the safe, related to scholastic books sales (£468.85), uniform sales (£67.62) and PTA Disco money (£898.55) but there are not records held to substantiate the amount held. Additionally a log is not kept of items held in the safe. In addition to this £3340.77 of school money to be banked was also held in the safe.

Money taken for the School shop (sale of stationery) is not held in the safe, but in a lockable cupboard in the office.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

8. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

AUDIT OPINION

9. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Opinion definitions are given in Appendix C.

ACKNOWLEDGEMENT

10. We would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Review of the last three Resources Committee meeting minutes found that sufficient Governors are attending meetings, however it was identified from the minutes that Governors are not always given the opportunity to declare interests. The meeting of 5/5/15 6 attended, 4/02/15 5 attended and 18/11/14 6 attended. Only the meeting of the 5/5/15 were staff given opportunity to declare interests.</p>	<p>Governors may not declare personal interests that may affect their decision making on the Schools behalf.</p>	<p>In accordance with section 3.8 of the School's Financial Regulations, Governors should be given the opportunity to declare any interests they may have at the beginning of committee meetings and this should be minuted. [Priority 2]</p>
2	<p>A sample of 20 payments was selected, 8 of which were over £5000. All were correctly authorised, VAT accounted for, paid within 30 days and orders were raised where expected.</p> <p>It was also found that quotes or tenders were received where expected accepted in one instance, sample 3. This was for renovation to the music room and a consultant was hired to Manage the works. The consultants received and opened the tenders, not at the School and the School did not have a copy on file. These were requested and later provided by the School.</p>	<p>Payments may not be made in compliance with the Schools' Financial Regulations and the School's own procedures.</p>	<p>Any quotes or tenders requested on behalf of the school should be opened at the School and kept by the School. [Priority 2]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	At present a key is held in the office for the safe. Its' location is known by all members of staff who work in the Office (4 members of staff) and by other members of staff who have access to the office (Business Manager, Head Teacher etc).	Access to the safe may not be secure.	In accordance with section 11.5 of the School's Financial Regulations the School should consider acquiring another key and giving each key to specific allocated staff. [Priority 2]
4	As part of the counting of items that were held in the safe, it was identified that £898.55 was held in the safe on behalf of the FSA(Friends of the School Association). This account and money from it should be the responsibility of the FSA until it is paid over to the School.	School funds may be mixed with schools funds if proper records are not kept.	The FSA should account for money they hold until it is paid over to the school, where it should be signed for that it has been received by the School. [Priority 2]
5	Discussed with the School Business Manager that she has not updated the cash flow statement for the 2015-16 financial year. The last one was carried out in April 2015.	The School could become overdrawn due to the timing of expenditure.	The School should produce a monthly cash flow forecast in accordance with School's

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
			<p>Financial Regulations 4.3.4 [Priority 2]</p>
6	<p>An asset record is held by the School in an electronic format. It records the item, its serial number and condition. The asset register has not been reviewed or signed off by the Head Teacher for over a year. Additionally if items are removed from the record, they are deleted off the register and no record will be exist that the school has held these items.</p> <p>Five items were selected and tested to determine they are held. One laptop that was selected could not be located one has been replaced, though the record is still held.</p>	<p>The School may not be able to identify assets that may be lost through theft or fire.</p>	<p>The asset register should be kept up to date with items currently held by the school and a record maintained of deleted stock. The register should be reviewed annually and signed off by the Head Teacher as appropriate. The school should verify the status of the missing asset. [Priority 2]</p>
7	<p>Discussion with the School Business Manager found that benchmarking has not been undertaken since 2013.</p>	<p>The School may not be able to demonstrate Value for Money.</p>	<p>The School should carry out an annual benchmarking review of its expenditure with other similar schools.</p>

Page 209

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
			[Priority 2]
8	Examination of the safe list (provided in the 2013-14 cash and Bank audit) found the limit for cash to be held in the school's safe was £600. Counting of all of the cash held in the safe found it totalled £4939.73. It was discussed with the School Business Manager that it was not always possible to keep everything in the safe due to the size off it. It was also noted that items such as paying in books and bank mandate are held in the safe, which do not need to be.	Bank reconciliations may not be carried out regularly and checked by an independent officer.	<p>The School should contact their Insurers and discuss with them the limit of the schools safe to ensure it is sufficient.</p> <p>The School should also consider purchasing a larger safe to enable all cash and valuable items to be securely held. [Priority 2]</p>
9	Examination of the safe list (provided in the 2013-14 cash and Bank audit) found the limit for cash to be held in the School's safe was £600. Counting of all of the cash held in the safe found it totalled £4939.73. It was discussed with the Business Manager that it was not always possible to keep everything in the safe due to the size off it. It was also noted that items such as paying in books and bank mandate are held in the safe, which do not need to be.	Cash might not be held securely.	<p>A log of all items held in the safe should be kept. Items that are placed in there or removed should be signed for by at least two members of staff.</p> <p>Stock records of stamps</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>Stamps are held in the safe, though there is no stock control process in recording the use of these and how many have been purchased.</p> <p>Money held in the safe, related to scholastic books sales (£468.85), uniform sales (£67.62) and PTA Disco money (£898.55) but there are not records held to substantiate the amount held. A log is not kept of items held in the safe. In addition to this £3340.77 of school money to be banked was also held in the safe.</p> <p>Money taken for the school shop (sale of stationery) is not held in the safe, but in a lockable cupboard in the office.</p>		<p>held and used should be kept. Stock levels should be reviewed regularly and authorised by an appropriate member of staff.</p> <p>Records should be kept of all income sales, including uniform, stationery and books. Records should also be kept of inventory levels. These should be reconciled regularly to identify any cash not received or stock that has been misappropriated.</p> <p>[Priority 1]</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	In accordance with section 3.8 of the School's Financial Regulations, Governors should be given the opportunity to declare any interests they may have at the beginning of committee meetings and this should be minuted.	2	Clerk was asked to do this following the school's review of its SFVS. Chairs of relevant Committees to ensure that it is included on all future agendas.	Clerk and Chairs of Governing Body Committees	Immediately
2	Any quotes or tenders requested on behalf of the school should be opened at the School and kept by the School.	2	Recommendation noted and will ensure that this is done in the future.	Resources Committee	Immediately
3	In accordance with section 11.5 of the School's financial regulations the school should consider acquiring another key and giving each key to specific allocated staff.	2	In conjunction with Finding 8 the school will be purchasing a larger safe and will ensure the keys are allocated to the SBM and Finance Officer. In the meantime the current key will be kept by the SBM.	School Business Manager	December 2015

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	The FSA should account for money they hold until it is paid over to the School, where it should be signed for that it has been received by the School.	2	<p>The FSA accounts for their money, however on the day of the audit visit they had been unable to access their safe in order to lock the School Disco money away and so the money was locked in the school safe temporarily. When making a payment to the school, the FSA writes a cheque and does not give money in cash.</p> <p>We have told the FSA that all monies collected on their behalf will be put in a cash tin and kept in their safe.</p>	Friends of the School Association.	Immediately
5	The School should produce a monthly cash flow forecast in accordance with School's Financial Regulations 4.3.4	2	This is usually in place; however it had not been done due to work load. It was done shortly after the audit visit.	Finance Officer	Immediately

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
6	The asset register should be kept up to date with items currently held by the School and a record maintained of deleted stock. The register should be reviewed annually and signed off by the Head Teacher as appropriate.	2	The SBM will be looking into Asset Management Software to replace the current excel spreadsheet, (which will remain in action until then). The register will be presented annually to the Resources Committee who will, as part of its scrutiny, check that items on the register are recorded correctly.	School Business Manager & Resources Committee	March 2016
7	The School should carry out an annual benchmarking review of its expenditure with other similar schools.	2	The school was part of a Bromley Large Schools Benchmarking Group, but this has now ceased. The school will be unable to benchmark against other academies until it has completed 12 months operation.	School Business Manager & Resources Committee	October 2016
8	The School should contact their insurers and discuss with them the limit of the Schools safe to ensure it is sufficient.	2	The school is now covered by the RPA, who have a limit of £10,000 in locked safes.	School Business Manager & Resources Committee	Immediate

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	The School should also consider purchasing a larger safe to enable all cash and valuable items to be securely held.		We will also be purchasing a larger safe.		December 2015
9	A log of all items held in the safe should be kept. Items that are placed in there or removed should be signed for by at least two members of staff. Stock records of stamps held and used should be kept. Stock levels should reviewed regularly an authorised by an appropriate member of staff.	1	A log book has been set up and is completed by the Finance Officer each night A postage stamp book has been purchased to ensure the accountability of stamp usage and manage stock levels. This will be reviewed monthly by the Finance Officer or SBM. Once the stock of stamps has diminished the school will purchase a franking machine.	Finance Officer Admin Officer and Finance Officer	Immediately Immediately

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	Records should be kept of all income sales, including uniform, stationery and books. Records should also be kept of inventory levels. These should be reconciled regularly to identify any cash not received or stock that has been misappropriated.		Receipts are currently written for all uniform sales. Once a uniform sale has taken place all income to be banked (in accordance with the numbered receipts) will be itemised and given to the Finance Officer. A 'stock management' sheet will be designed to ensure the control of uniform stock.	SBM, Finance Officer and Uniform Shop Volunteers	October 2015

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

SCHOOLS OPINION DEFINITIONS

As a result of their audit work auditors should form an overall opinion on the extent that actual controls within the school provide reasonable assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the system and school procedures 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 schools finances. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to Governors, material income losses.

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.

This page is left intentionally blank



FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF ST OLAVE'S AND ST SAVIOUR'S AUDIT FOR 2015-6

Issued to: Mr. A. Önaç, Head Teacher

Cc: Alan Wooley, School Business Manager
Christine Dines, Finance Officer

Prepared by: Head of Internal Audit
Principal Auditor

Date of Issue: 4 November 2015
Report No.: ECH_S_41_2015

REVIEW OF ST OLAVES AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of St Olave's School for 2015-6. The audit was carried out in quarter three as part of the programmed work specified in the 2016 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the school's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 14 July 2015. The period covered by this report is from 1 October 2014 to 30 September 2015.

AUDIT SCOPE

4. The scope of the audit is detailed in the Terms of Reference.

MANAGEMENT SUMMARY

5. Controls were in place and working well in the areas of financial management information and financial reporting to governors, primary accounting documents, expenditure, income, voluntary funds, payroll records and governance arrangements.
6. We would however like to highlight following areas for improvement:
 - The scheme of financial delegation has not been completed and presented to the Governing Body for approval.
 - Cash flow statements have not been produced periodically with any variances to the projected cash flow investigated and actioned.
 - An independent stock check of the asset register has not been carried out.

REVIEW OF ST OLAVES AUDIT FOR 2015-6

- Four instances from our sample testing were identified where orders had not been raised in advance of expenditure so commitments could be recorded on the school's financial system prior to payment being made.
 - Benchmarking of expenditure has not been carried out against other comparable schools and reported to the Governing Body so that value for money could be considered.
7. We noted that the list of contracts is currently being updated before it is presented to the next meeting of the Governing Body for discussion and approval. A scale of charges was drawn up for recharging classrooms and hall hire for a project for the Greater London Authority. If this is used as the basis for lettings charges in future, any lettings would need to be insurance compliant.

SIGNIFICANT FINDINGS (PRIORITY 1)

8. There are no priority findings in this report.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

AUDIT OPINION

10. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Opinion definitions are given in Appendix C.

ACKNOWLEDGEMENT

11. We would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	Cash flow statements have not been produced.	The School may not be aware of their ability to meet all liabilities	Ensure that cash flow statements are produced periodically and any variances to the projected cash flow are investigated and actioned. [Priority 2]
2	Examination of the asset register shows that it is maintained but there has been no independent stock check carried out within the past twelve months.	The register of assets may not be accurate or complete in the event of identification arising from losses through theft or fire.	An independent stock check of the asset register is carried out as soon as possible and arrangements are put in place for a similar check to be carried out each year. [Priority 2]
3	Item 9 of the Finance Committee minutes for the meeting held on 20 May 2015 states that the scheme of financial delegation has been delayed until the new instrument of government is in place and will then be considered as part of the wider governance structure. This has not yet been formalised and	Financial delegation may not be adequate	Ensure that the current scheme of financial delegation is presented to the Governing Body and formally approved.

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	agreed by Governors. The School Business Manager explained that, when necessary, financial decisions required which cannot wait until the next Committee meeting are made following email exchange of information with relevant individuals.		[Priority 2]
4	There were four instances where orders had not been raised. Quotations had not been sought for item 11 in our sample relating to the printing of over 1500 copies of the St Olave's magazine and annual electrical testing. Satisfactory explanations were, however, provided from the School Business Manager.	Payments may not be made in compliance with Financial Regulations and the School's own financial procedures. The commitment accounting for expenditure may not be accurate.	Ensure that orders are raised in advance of expenditure so commitments can be recorded on the school's financial system prior to payment being made. [Priority 2]
5	Minutes of the March 2015 Governing Body meeting mention that better benchmarking information will be submitted to the Co-Ordinator and reported back to the next Governing Body meeting. We could not find evidence that this had taken place. We understand that this will be done.	The school may not be identifying opportunities to realise value for money.	Ensure that benchmarking of expenditure against other comparable schools is carried out and reported to the Governing Body so that value for money can be considered. [Priority 2]

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Ensure that cash flow statements are produced periodically and any variances to the projected cash flow are investigated and actioned.	2	<p>Historically there has been no reason to produce cash flow statements; as a maintained school the receipt and timing of income has been predictable from both LEA and EFA, as has the most significant monthly costs (staff salaries), in addition to which the School had built up significant financial reserves.</p> <p>However, it is understood that as those reserves have been significantly depleted and reduced level of income is now more closely aligned with anticipated expenditure, the management of cash flow requires greater attention.</p>	School Business Manager and Finance Team	31 December 2015

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1 (cont)			The Finance Manager has started work on this and spent some time during summer working with the Bromley Schools Finance Team determining how to set up the facility on SIMSFMS. It remains one of many challenges for the Finance Team at the School to complete with limited resources and time.		
2	An independent stock check of the asset register is carried out as soon as possible and arrangements are put in place for a similar check to be carried out each year.	2	A lack of staffing resources prevented this from being undertaken during the summer Term. It had already been scheduled for the second half of the Autumn Term before the Audit Team's visit.	School Business Manager and Finance Team	31 December 2015

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	Ensure that the current scheme of financial delegation is presented to Governors and formally approved.	2	<p>The reconstituted Governing Body met for the first time on 23 September and agreed the revised membership of its sub-committees.</p> <p>The first meeting of Governors' Finance Committee was held on 21 October and reconfirmed that it was happy with the existing Scheme of Delegation with a limit of £15,000 on the School's Senior Leadership Team.</p> <p>The School Business Manager reiterated the critical point that the Senior Leadership Team would never attempt to make any such significant commitment of which Governors had not previously been advised or consulted.</p>	School Business Manager	Implemented

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	Ensure that orders are raised in advance of expenditure so commitments can be recorded on the school's financial system prior to payment being made.	2	We will continue to remind staff that a member of the Finance Team must be informed prior to the purchase of any equipment or service so that the expenditure can be committed on the financial system. We will also consider the introduction of a purchase card operated by the Finance Team to help address this.	School Business Manager and Finance Team	31 December 2015
5	Ensure that benchmarking against other comparable schools is carried out and reported to the Governing Body so that value for money can be considered.	2	The benchmarking exercise is undertaken in conjunction with other BASS schools. The School Business Manager had contributed information relating to St Olave's, but the facilitator of the exercise had not collated and circulated	School Business Manager	31 December 2015

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			information from other schools. The BASS Schools Bursars met on 12/13 October following which benchmarking information has now been compiled and circulated to participants; the School Business Manager will be reporting back on this to the Governors' Finance Committee		

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

SCHOOLS OPINION DEFINITIONS

As a result of their audit work auditors should form an overall opinion on the extent that actual controls within the school provide reasonable assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the system and school procedures 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 schools finances. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to Governors, material income losses.

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.

This page is left intentionally blank

FINAL INTERNAL AUDIT REPORT

CHIEF EXECUTIVES DEPARTMENT

**FOLLOW UP REVIEW OF IT LICENSES AND ASSET REGISTER
AUDIT FOR 2015- 16**

Issued to: Stuart Elsey, Head of ICT

Cc: Mark Bowen, Director of Corporate Services
Alastair Baillie, Environmental Development Manager

Prepared by: Principal Auditor

Date of Issue: 13th October 2015
Report No.: CX/083/01/2015

INTRODUCTION

1. This report sets out the results of our systems based follow up audit of IT Licenses and Asset register Audit for 2014-15. The audit was carried out in quarter three as part of the programmed work specified in the 2015/16 Internal Audit Plan, agreed by the Director of Finance and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

AUDIT SCOPE

4. This follow up review considered the final audit report issued in November 2014 and was restricted to identifying progress made on implementing the previously agreed recommendations.

MANAGEMENT SUMMARY

5. Of the previous 2 agreed recommendations, 1 has been fully implemented, 1 has not been implemented and is still being progressed for completion. The recommendations not being implemented relates to recording IT contracts and licenses on the contracts register.

SIGNIFICANT FINDINGS (PRIORITY 1)

6. The priority one finding that was identified in the 2014/15 review has now been implemented

DETAILED FINDINGS/MANAGEMENT ACTION PLAN

7. Appendix A provides information on the recommendations that are being followed-up and Appendix C give definitions of the priority categories.

ACKNOWLEDGEMENT

8. We would like to thank all staff contacted during this review for their help and co-operation

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
1	Excess licenses for key fobs that are not assigned and not required should be reconciled and cancelled.	Once reports have been provided from the IT Contractor a reminder will be sent to Management to request them to confirm active / redundant accounts, where known, and the decision will be taken on the number of tokens required across the council. It is proposed to maintain an additional number of accounts for new starters or 3rd parties as we commission more services, as once the token is removed from the support contract it cannot be added and a complete new token, license and support need to be purchased. Any Surplus accounts Above this contingency will be discontinued. ICT are reliant on the leavers process being followed to maintain the correct number of tokens and accounts.	March 2015	1	Head of ICT	This was retendered for on the basis of 2000 tokens. We have paid this year's invoice on the basis of 2000. At 1/04/15, Bromley had 1950 employees. A report of the number of people will tokens, shows that there are currently 1812 active accounts and 93 that have been disabled.	Implemented.
2	The contracts listed in the finding should be placed on the Corporate Contracts register.	ICT are not responsible for several of the contracts, however we will confirm any that we	March 2015	2	Head of ICT	Of the four contractors mentioned in 2014-15 audit none are on the contracts register.	Implementation in progress

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
		<p>are responsible for and add them to the asset register.</p> <p>Agreement from Managers responsible for systems to add to the contracts register.</p>	<p>November 2014</p> <p>Revised date: December 2015.</p>		<p>Head of Asset Management and Strategic Projects and Environmental Development Manager</p> <p>Environmental Development Manager</p>	<p>Manager did not receive form to enable her to update the contracts register.</p> <p>Issue raised with the Head of Corporate Procurement and Environmental Development Manager who acknowledged these contracts should be included on there and will ensure this is actioned.</p>	

Definition of priority categories.

Priority 1

Required to address major weaknesses and should be implemented as soon as possible

Priority 2

Required to address issues which do not represent good practice

Priority 3

Identification of suggested areas for improvement

This page is left intentionally blank

FINAL INTERNAL AUDIT REPORT

ENVIRONMENT AND COMMUNITY SERVICES DEPARTMENT

REVIEW OF POOL CARS & FUEL CARDS FOLLOW UP AUDIT FOR 2015-16

Issued to: Paul Chilton, Transport Operations Manager
Jim Kehoe, Chief Planner
Nigel Davies, Executive Director Environmental and Community Services

Prepared by: Principal Auditor

Date of Issue: 13/08/2015

Report No.: ENV/015/01/2015

REVIEW OF POOL CARS & FUEL CARDS FOLLOW UP AUDIT FOR 2015-16

INTRODUCTION

1. This report sets out the results of our systems based audit of Pool Cars & Fuel Cards Follow Up Audit for 2015-16. The audit was carried out in quarter 2 as part of the programmed work specified in the 2015-16 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

AUDIT SCOPE

3. This follow up review considered the final audit report issued on the 15th January 2015 and was restricted to identifying progress made on implementing the previously agreed recommendations.

MANAGEMENT SUMMARY

4. The two recommendations made as part of the previous review have been fully implemented.

SIGNIFICANT FINDINGS (PRIORITY 1)

5. There are no priority one findings to report.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

7. Appendix A provides information on the recommendations that are being followed-up.

ACKNOWLEDGEMENT

6. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

Follow up of Recommendations

APPENDIX A

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
1	<p>As per LBB's Code of Practice for Drivers 'Drivers shall complete a written record of their use of vehicles by using the appropriate vehicle utilisation sheet (also referred to as the vehicle running sheet),' and 'All completed driver records should be handed in at the appropriate office for retention and periodic examination by the Transport Operations Manager.'</p> <p>The Vehicle Running sheets were not available for Planning Pool car for the period September 2013 to June 2014. Hence it could not be reviewed if the car was being used appropriately for business and the fuel topups were justified.</p>	<p>T.O.M carries out periodic checks on record keeping by users. Log books have been introduced to smaller group users in place of individual weekly running sheets and this will hopefully contribute to easier management by the user and retention when the book is full. T.O.M will set up a quarterly check on the Planning section to ensure that the records are being upheld.</p>	30/04/2015	2	Transport Operations Manager in conjunction with Chief Planner	Scheduled checks are now made by T.O.M Administration Officer direct with Planning Section to verify vehicle usage record keeping.	Completed.

Follow up of Recommendations

APPENDIX A

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
2	The review of Vehicle Running sheets for Highways Pool Car highlighted that the vehicle has only done 3495 business miles between September 2013 and August 2014. The vehicle is not used more than 2 or 3 times a week.	T.O.M will liaise with Heads of Service in Highways, Traffic and Area Management to revisit extending the use of this vehicle to the wider department. Discussions concerning wider utilisation have taken place before however implementation of such initiatives is a matter for the end user service. It should be understood however that this particular vehicle supports the department in a number of ways particularly in connection with highway management, dealing with emergencies and winter service control, where it offers four-wheel-drive capability, towing facilities and enhances safety and presence when engaged in work events on the public highway network. Also with the likelihood of changes to the make-up of the future vehicle fleet, this vehicle will possibly be one of a few 4x4 vehicles remaining in service.	30/04/2015	2	Transport Operations Manager in conjunction with Head of Highways, Head of Traffic and Road Safety and Head of Area Management.	This vehicle is now available to a wider group of teams across the ECS Department which has increased utilisation.	Completed

This page is left intentionally blank

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF MAIN A-C SYSTEM AUDIT FOR 2014-15

Issued to: Peter Turner, Director of Finance
Tracey Pearson, Chief Accountant
Neil Graham, Head of Financial Systems

Prepared by: Deepali Choudhary, Principal Auditor

Date of Issue: 18/11/2015

Report No.: CX/016/01/2014.bf

REVIEW OF MAIN A-C SYSTEM AUDIT FOR 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of **Main A-C System Audit for 2014-15**. The audit was carried out in quarters 1 and 2 of 2015/16 as part of the programmed work specified in the Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 13/02/2015. The period covered by this report is from April 2014 to May 2015.

AUDIT SCOPE

4. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

5. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

6. The audit reviewed controls in the following areas: reliability and integrity of transactions, FIS system users, feeder system interfaces and authorisation of journal entries, year-end procedures, revenue budget preparation and forecasting and administration rights/roles/functions of FIS team.

REVIEW OF MAIN A-C SYSTEM AUDIT FOR 2014-15

7. The overall system review was satisfactory with no significant unexplained variances. Some areas for improvement were identified to aid ongoing compliance and to reduce the possibility or adverse impact upon the integrity of the main accounting system which are listed below.
8. The review of the report of FIS users and their responsibilities as at 20/05/2015 highlighted that there are 15 generic accounts to access FIS which are not linked to individuals. These include System Administrator account which gives FIS team full admin access to Oracle system. The activity on this account is not subject to any independent monitoring. This issue has previously been raised in both internal and external audit reports of Main Accounting System and is still outstanding.
9. A sample of 10 new codes set up for 2014-15 were selected for review from a report of all new codes set up in 2014-15. One code in the sample was set up by SYS admin. Information on who requested the code, the reason for request and the person who actually actioned the request has not been made available to Audit.
10. Access to FIS is controlled by login accounts and passwords. Review of the FIS user account report as on 20/05/2015 identified 342 of 905 user accounts have not been accessed since December 2013.
11. The outstanding priority one recommendation in relation to Full Budget Monitoring (FBM) and Employee Budget Monitoring (EBM) from Main Accounting and Budgetary Control Audit 2013-14 was followed up. The requirements of full budget monitoring where budget holders were required to review/forecast their budgets was not occurring, with a significant percentage not engaging in the process. Budget monitoring ranged from 26% to 64%. As a result the Audit Committee decided to set a target of 85% of budget holders within directorates engaging in the full budget monitoring process. Failure to meet this target could result in Chief Officers having to explain to this Committee the reasons for non-compliance. The follow-up showed that in the report run for January 2015, 89% of managers had accessed their budgets and approved them. This is above the 85% target set by the Audit Committee. We therefore consider that this recommendation has been implemented.

SIGNIFICANT FINDINGS (PRIORITY 1)

12. There is no priority one finding in this report.

REVIEW OF MAIN A-C SYSTEM AUDIT FOR 2014-15

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

13. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

14. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>The review of the report of FIS users and their responsibilities as at 20/05/2015 highlighted that there are 15 generic accounts to access FIS which are not linked to individuals. These include System Administrator account which gives FIS team full admin access to Oracle system. The activity on this account is not subject to any independent monitoring.</p> <p>This issue has previously been raised in both internal and external audit reports of Main Accounting System and is still outstanding.</p>	<p>Failure to safeguard systems by access controls may give rise to the increased risk of fraud or malicious damage to data</p>	<p>The audit functionality within the Financial Information system should be activated so an audit log is captured of activities undertaken and changes actioned.</p> <p>[Priority 2]</p>
2	<p>A sample of 10 new codes set up for 2014-15 were selected for review from a report of all new codes set up in 2014-15 obtained from FIS team. It was reviewed that the code set up was controlled and only actioned on request of authorised personnel.</p> <p>One code B~058000~8064~00000 in the sample was set up by SYS admin. Information on who requested the code, the reason for request and the person who set up the code has not been made available to Audit. The cost centre is Business support and subjective is Government Grants.</p>	<p>Codes may be introduced in order to misappropriate monies or hide discrepancies.</p>	<p>Setting of codes on FIS system should be controlled and only actioned on request of authorised personnel. Evidence of request should be retained.</p> <p>[Priority 2]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	Access to FIS is controlled by login accounts and passwords. Review of the FIS user account report as on 20/05/2015 identified 342 of 905 user accounts have not been accessed since December 2013.	Failure to safeguard systems by access controls may give rise to the increased risk of fraud or malicious damage to data	<p>User accounts that are no longer required should be deleted or disabled to prevent unauthorised usage.</p> <p>[Priority 2]</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	The audit functionality within the Financial Information system should be activated so an audit log is captured of activities undertaken and changes actioned.	2	As explained previously, turning on audit tables comes with a 'health warning' as it could severely impact/effect the performance of the system. The system performance has already slowed since the upgrade to R12. However, the issue has been raised again with our Oracle support provider to see if we can turn them on for certain tables e.g. suppliers and the performance monitored.	Head of Financial Systems	Apr 2016
2	Setting of codes on FIS system should be controlled and only actioned on request of authorised personnel. Evidence of request should be retained.	2	The code in the report should be 058000 8064. Unfortunately, it cannot be established who linked the code as it only states in Oracle who last updated the record. Generally the FIS Team do not link	Accountants and FIS Team	Nov 2016

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			code combinations. This is a function that the Accountants do. On the odd occasion the FIS Team do the evidence is retained.		
3	User accounts that are no longer required should be deleted or disabled to prevent unauthorised usage.	2	<p>We've reviewed these accounts and a lot of them are iproc approvers who approve on emails so they don't need to log into the system.</p> <p>Accounts are disabled when we are informed of users leaving via the corporate Removal of Workforce Member form/workflow. Also a list is sent to Heads of Finance to review yearly.</p>	<p>Managers and Heads of Finance</p> <p>FIS Team to produce yearly report</p>	Nov 2016

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

This page is left intentionally blank

Key to LAC Follow Up Redacted Report

Contractor A – Big Yellow/Yellowbox

This page is left intentionally blank

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVES DEPARTMENT

REVIEW OF EXCHEQUER AND CUSTOMER SERVICES CONTRACT AUDIT FOR 2015-16

Issued to: Peter Turner, Director of Finance

Cc: John Nightingale, Head of Revenues and Benefits
Claudine Douglas-Brown, Head of Exchequer Services
Duncan Bridgewater, Head of Customer Services

Prepared by: Principal Auditor

Date of Issue: 12th November 2015

Report No.: CX/070/01/2015

REVIEW OF EXCHEQUER AND CUSTOMER SERVICES CONTRACT AUDIT FOR 2015-16

INTRODUCTION

1. This report sets out the results of our systems based audit of the Exchequer Contract Audit for 2015-16. The audit was carried out in quarter two and three as part of the programmed work specified in the 2015-16 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 3rd August 2015. The period covered by this report is from April 2011 to September 2015.
4. The contract commenced on 1st April 2011 and was initially for the provision of Housing Benefits, Council Tax, Business Rates, Cash collection and Postal, Pensions and Payroll services for £6,183,000. Provision of Accounts payable, Accounts receivable, Customer services, Schools Finance, Schools HR, Financial Assessments and Appointee and Deputyship services have all been additionally added to the contract, which now has a value of £9,193,940.49 (total spend in 2014-15).

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that Limited Assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

REVIEW OF EXCHEQUER AND CUSTOMER SERVICES CONTRACT AUDIT FOR 2015-16

7. Controls were in place and working well in the areas of:
 - A satisfactory contract is in place.
 - The contract was tendered correctly and amendments satisfactorily authorised
 - Contract monitoring meetings were regular and the minutes were detailed and recorded.

8. However we would like to draw to Managers attention the following areas of concern:
 - No defaults have been issued during the duration of the contract for poor performance.
 - Some staff who manage the contract do not have a copy or access to it and are unfamiliar with the terms of the contract.
 - The charge Bromley has to pay for Accommodation has increased each year in line with RPI, whilst the charge to the contractor for using Bromley accommodation has never been increased.
 - Tender evaluation sheets and Contract change notices are not kept on file and available.
 - Performance reports for Housing Benefits, Council tax collection and Business Rates collection are all run by the contractor. Bromley staff do not have the ability to run these reports.
 - Not all KPIs listed in Service Level Agreements are monitored at the monthly service review meetings.
 - Benchmarking is not undertaken of Exchequer Services.
 - Wording on reports to substantiate incentive payments are not accurate.
 - The Performance bond –should be properly signed off.

Monitoring meetings are not being held between Bromley client side and the Contractor in respect of the Schools Finance Team – however given that the service transferred over in early 2015 it is not an issue for this report.

SIGNIFICANT FINDINGS (PRIORITY 1)

9. There were no significant findings identified in this review.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

REVIEW OF EXCHEQUER AND CUSTOMER SERVICES CONTRACT AUDIT FOR 2015-16

10. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

11. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>It was discussed with the Head of Revenues and Benefits that Bromley pays an accommodation charge to the contractor, though then invoices the contractor for the lease of the 3rd floor North Block and that these two charges cancel each other out. It was identified by the Auditor that the Contractor have increased the accommodation charge each year in line with RPI, whilst Bromley has not increased its charge to the contractor. The resultant difference to Bromley is a loss of £26k for 2015-16 and £49k over the life of the contract so far.</p> <p>The accommodation charge to Bromley was set in the original Tender documents and was to cover the original 8 services provided. The amount Bromley charges the contractor for accommodation has not been adjusted, despite six services having recently been transferred over and which are taking up more office space.</p> <p>As a result of our discussions with the Head of Revenues and Benefits/Director of Finance we understand that this issue has been escalated to the Contractor management and any resultant recoveries will be reviewed in respect of this finding, with a total of £94,519k to be recovered from the contractor.</p>	<p>Payments might be made not in accordance with contract documentation</p>	<p>Bromley should increase its Lease charge to the Contractor in line with RPI and seek to recover amounts where we have not increased the charge in the past. Accommodation charges should include services added on since the original contract. [Priority 2]</p>

Page 259

Project Code: CX/070/01/2015

Page 5 of 16

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2	<p>Initial testing of a sample of 16 regular contract payments, 2 incentive payments and 10 ad hoc payments found that for the two incentive payments they could not be reconciled to supporting documentation.</p> <p>System reports were run but the figures within these reports did not match those figures that were being claimed for. Following discussion with the Head of Revenues and Benefits and the Contractor, further information was provided which substantiated the figures being claimed for, though it was acknowledged that the reports are not annotated accurately and requires amending.</p>	<p>Payments might be made not in accordance with contract documentation</p>	<p>Prior to the next retendering process, it is recommended that a review be undertaken of the incentive and damages regime included in the specification. [Priority 2]</p>
3	<p>As per the Retention of Contract documents section of the Financial Regulations, the tender documents should be retained for the life of the contract. These have not been provided despite having been requested these from two of the people who evaluated the contract (Head of Revenues and Benefits and the Head of Corporate Procurement, the third has left the authority).</p> <p>From discussion with the Head of Revenues and Benefits and examination of the Committee Report to the Executive to seek</p>	<p>Non retention of tender evaluation documents may put the Authority at risk in the event of a challenge</p>	<p>As per the document retention section of the Financial Regulations, all documents relating to the tendering of a contract should be retained for the life of the contract.</p> <p>All CCN documents should be held on file.</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>approval of the Contract, four organisations were asked to tender of which three responded. The tender from Capita was rejected on the basis that it did not comply with the tender requests. Thus the two tenders Contractor A and Contractor B were evaluated.</p> <p>The Auditor obtained the original tender documents and was able to confirm that the pricing schedules reported to committee were correct according to the original documents. However due to not being provided with the evaluation sheets it was not possible to determine if the marks awarded for quality and cost were fair.</p> <p>Whilst examining payments made to the contractor, 18 CCN notices were examined. All were found to have been correctly authorised and where significant variations required, in the three instances approval was sort by the Executive Committee. However it was identified that several CCNs are not held on file by the Revenues and Benefits Manager including CNN66 and CCNs 1-2, 4-7, 9-14.</p>		<p>[Priority 2]</p>
4	<p>The contract contains a default procedure (section 36). This allows for Bromley to charge the contractor £50 per day if</p>	<p>There may not be adequate arrangements to monitor the</p>	<p>Contract Monitoring staff should have a copy of the</p>

Page 261

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>performance is not at the standard expected or to reduce the service charge by the same.</p> <p>Interview with the Head of Revenues and Benefits identified that the default clause is in addition to the table the section he had drafted prior to the contract commencing. He has not been aware of this until highlighted by audit in this review. The procedure drafted allowed for contractor to make a number of failures and put write or fail in certain areas where a default will not be issued.</p> <p>Discussions with the, Head of Customer Services found that he does not have a copy of the contract and had not seen the default procedure.</p>	<p>provision of service according to the contract.</p>	<p>contract available to them and be familiar with the terms of it. [Priority 2]</p>
5	<p>Performance reports are regularly provided by the contractor. It is identified that targets are not being met in a number of areas: for a large part of 2014/15 the HB processing target was not being met. The NNDR collection target has never been met and for 2013/14 neither debtor's targets were met.</p> <p>It was discussed that the performance of the contractor against the NNDR collection target has been reported to Committee on</p>	<p>There may not be adequate arrangements to monitor the provision of service according to the contract.</p>	<p>Defaults should be issued where performance is sufficiently bad to warrant one, in accordance with the default process in the contract.</p> <p>Where defaults are not</p>

Page 262

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>numerous occasions with the failure to meet targets due mainly to the economic climate. Targets have only ever been missed by less than one percent and the contractor has taken action to improve their performance.</p> <p>For debtors the failure to meet the target was due to extenuating circumstances, namely that a large amount of debt was raised in the last months of the year and thus performance reports did not give a true picture of performance.</p> <p>In terms of Housing Benefits performance it was identified that issues around accuracy and processing times were escalated to the contractor, with meetings held between Directors of Bromley and the Contractor and action plan put in place. The failure to meet targets for processing times, has in part lead to Bromley potentially incurring costs within the contract with Orchard and Shipman. These costs are still being calculated.</p>		<p>issued as a result of extenuating circumstances on behalf of the contractor then there should be a clear audit trail in the event of a challenge</p> <p>Bromley should seek to recover costs from Contractor A for expenses incurred within the Temporary Accommodation contract, for non-processing of HB claims subject to the provision of evidence.</p> <p>[Priority 2]</p>
6	Performance reports are regularly provided by the contractor and given to Bromley.	There may not be adequate arrangements to monitor the provision of service	For future contracts, consideration should be made into to allowing

Page 263

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>From the performance reports provided it was identified that performance reports are produced by the contractor and given to Bromley. For the provision of HB, Council Tax and Business rates these reports are run from the Academy system which is controlled by the contractor. As this is controlled by the contractor and reports have to be run by them, there is little control over reports produced and accuracy of data.</p>	<p>according to the contract.</p>	<p>Bromley staff the ability to run reports directly from systems used by the contractor. [Priority 2]</p>
7	<p>Examination of the benchmarking report that went to committee in July 2015, shows that in terms of Council tax collection, Bromley is 12th of 16 Authorities tested in terms of unit costs.</p> <p>It was discussed with the Head of Revenues and Benefits what benchmarking is undertaken of his service areas. It was found that it is undertaken of Council Tax and NNDR collection. For these at July 2015, Bromley is 9th of 30 London Authorities for collection of Council Tax and 13th of 29 for the collection of Business Rates.</p> <p>Discussed with the Head of Exchequer Services that she has not carried out any benchmarking for some time.</p>	<p>There may not be adequate arrangements to measure performance and best practice in the absence of benchmarking.</p>	<p>Consideration should be put into carrying out benchmarking of the Accounts payable and accounts receivable elements of the contract. [Priority 3]</p>

Page 264

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	Customer services regularly monitor their performance against other Local authorities and customer services.		
8	It was identified that for three areas of the contract (Cashiers, Schools Finance and Schools HR) not all KPIs are being reported against in the monthly performance reports. For example the Schools Finance SLA has, KPI 14 Bank Reconciliations checking and KPI 17 Recoupment income for excluded pupils. Neither are mentioned in the KPI report.	There may not be adequate arrangements to monitor the provision of service according to the contract.	Performance reports should include details of all KPIs listed in the SLAs or deleted from the SLA if deemed not being necessary. [Priority 2]
9	It was identified that the original Performance Bond put in place was not signed until 7 months after the contract began. This bond expired on the 20 th October 2014. It has been replaced by another one which runs to 30 th March 2018, however this one has not been signed by Bromley and carries the same serial number as the original one.		The performance bond should be sealed/ signed put in place for the period of the contract and be signed off by appropriate Officers in the Council. [Priority 2]

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Bromley should increase its Lease charge to the contractor in line with RPI and seek to recover amounts where we have not increased the charge in the past. Accommodation charges should include services added on since the original contract.	2	This had been identified prior to the audit and steps put in place to recover the amount due. Procedure put in place to ensure that future years are charged at the correct amount.	Head of Revenues & Benefits	Ongoing
2	Prior to the next retendering process, it is recommended that a review be undertaken of the incentive and damages regime included in the specification.	2	Agreed. This will be included in the review of the whole specification.	Head of Revenues & Benefits Head of Exchequer Services Head of Customer Services	Prior to next invitation to tender

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	As per the document retention section of the Financial Regulations, all documents relating to the tendering of a contract should be retained for the life of the contract. All CCN documents should be held on file.	2	Central file of CCN's to be maintained by the Revenues and Benefits Monitoring Team	Head of Revenues & Benefits	Ongoing
4	Contract Monitoring staff should have a copy of the contract available to them and be familiar with the terms of it.	2	Electronic copies of the contract available. All monitoring staff will be advised at to their location and copies forwarded on request.	Head of Revenues & Benefits	Nov 2015
5	Defaults should be issued where performance is sufficiently bad to warrant one, in accordance with the default process in the contract. Bromley should seek to recover	2	Option of issuing default notice will continue to be considered where warranted. Compensation will be sought from the contractor in respect of financial loss that can be identified	Head of Revenues & Benefits Head of Exchequer Services Head of Customer	Dec 2015

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	costs from the contractor for expenses incurred within the Temporary Accommodation contract, for non-processing of HB claims		to be a result of contractor action/inaction	Services	
6	For future contracts, consideration should be made into to allowing Bromley staff the ability to run reports directly from systems used by the contractor.	2	This will be considered at the time of the next retendering exercise and/or at the time of implementing a new computer system.	Head of Revenues & Benefits Head of Exchequer Services Head of Customer Services	Prior to next invitation to tender
7	Consideration should be put into carrying out benchmarking of the Accounts payable and accounts receivable elements of the contract.	3	Consideration will be given to becoming a member of the CIPFA Benchmarking Group and if appropriate an application will be submitted prior to the start of the next subscription period on 1 st February 2016.	Head of Exchequer Services	Jan 2016

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
8	Performance reports should include details of all KPIs listed in the SLAs or deleted from the SLA if deemed not being necessary.	2	Review will be undertaken to ensure that all important KPI's are currently being reported. A review to be undertaken of all KPI's to be undertaken as part of the retendering process	Head of Revenues & Benefits Head of Exchequer Services Head of Customer Services	Dec 2015
9	The performance bond should be signed put in place for the period of the contract and be sealed/ signed off by appropriate Officers in the Council.	2	Agreed	Director of Corporate Services	Jan 2016

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there are basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

FINAL INTERNAL AUDIT REPORT
ENVIRONMENT AND COMMUNITY SERVICES

REVIEW OF PARKS AND GREENSPACE AUDIT 2014-15

Issued to: Dan Jones, Assistant Director Street Scene and Green Space
Rob Schembri, Greenspace Contract Manager
Claire Martin, Head of Finance ESD

Prepared by: Auditor (Wandsworth Council on behalf of LBB)
Head of Audit, LB Bromley

Date of Issue: 19th August 2015

Report No.: ECH/006/02/2013

REVIEW OF PARKS AND GREENSPACE AUDIT 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of Parks and Greenspace (P&G) 2014-15. The audit was carried out in quarter 4 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Director of Resources and Audit Sub-Committee.
2. The budget for the Park and Greenspace Contract for 2014/15 was £3,079,680 and the actual spend for 2014/15 was £3,077,383.
3. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
4. The original scope of the audit was outlined in the Terms of Reference issued on 14/04/2015. The period covered by this report is from May 2014 to February 2015.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference. This audit has not reviewed the new client monitoring arrangements as these were ongoing at the time of the audit. We have agreed with ECS Management to review these arrangements that will cover the whole of that service including Parks and Greenspace.

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

REVIEW OF PARKS AND GREENSPACE AUDIT 2014-15

AUDIT OPINION

6. Overall, the conclusion of this audit was that **substantial** assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

7. The audit reviewed the effectiveness of controls in the following areas: Policies and Procedures, Contract Monitoring and Invoices and Payments. There were no issues on invoicing and payments. The deduction from the monthly invoices submitted by the grounds maintenance Contractor of £10K (uplifted each year) for cemetery fees was in accordance with contractual agreements and amounts; there was a to jutrail
8. Contract Monitoring
- A review of the monthly monitoring minutes and subsequent discussions with the Contract Manager suggested that these could be improved for clarity and audit trail purposes.
 - Examination of the contract identified the requirement for Annual Meetings to be held. Discussion with the Green Space Contracts Manager highlighted that these annual meetings are not conducted.
 - A review of the Feature Quality Assessment/Performance Measurement raised issues of relevance and weighting in respect of the criteria selected.
 - Key performance measurements were not being reported to senior management or members for information and challenge.
 - Slight discrepancies were found in two cases between the invoiced payment from the grounds maintenance contractor and the profiled spreadsheet.

Page 3 of 10

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

SIGNIFICANT FINDINGS (PRIORITY 1)

9. None.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

11. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Contract Minutes A review of the contract minutes between September 2014 and February 2015 raised issues of clarity in presentation and interpretation. On discussion with the Contract Manager it was agreed that there could be greater clarity in explanations contained within these minutes e.g. where there were comments in a set of minutes in September 2014 that were repeated in subsequent months this could have indicated issues not being resolved leading ultimately for the need for default/rectification notices. It was explained that in most of the instances these were repeated to indicate that the work was of a continuous nature e.g. weed control; entrance and path sweeping; recycling programme. In odd instances the issue had not been resolved e.g. fixing the paddling pool.</p>	<p>Minutes could be open to misinterpretation in the event of a lack of clarity.</p>	<p>The minutes need to be more concise with ongoing or rolling programme of work stated as such. Issues that were not being resolved should be clearly highlighted for follow up action.</p> <p>[Priority 2]</p>
2	<p>Contract Formalities Examination of the contract identified that under Section three, Part 4.6.5 “Annual Meeting”, states “The Contractor shall attend a meeting with senior officers to review the Contract. This meeting will be formally minuted and will review the Contractor’s performance over the previous year(s). Service Delivery improvements for the coming year will be agreed” Discussions with the Green Space Contract Manager indicated that these Annual Meetings are not held.</p>	<p>Where the annual meetings are not held, there is a risk that performance issues are not addressed in a timely and effective manner.</p>	<p>Ensure that the Annual meetings are held between the contractor and senior officers.</p> <p>[Priority 2]</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p>Feature Quality Assessment/Performance Measurement A review of the feature quality assessment process showed that performance areas covered a number of criteria including training, adherence to machinery resource schedule by month; adherence to agreed HR resource schedule by month; and response time to request for quotes. The relevance and weightings allocated to these areas was discussed with the Contract Manager especially given that this leads to the performance payment.</p>	<p>Performance areas selected for measurement and payment may be incorrectly weighted.</p>	<p>Management to review the performance areas and performance indicators that are currently being measured in respect of weighting/relevance.</p> <p>[Priority 2]</p>
4	<p>Key Performance Indicators The reporting of key performance indicators to senior management or members was not clear.</p>	<p>Failings in meeting key performance targets may not be challenged.</p>	<p>It is recommended that key performance targets are reported at regular intervals to members/management.</p> <p>[Priority 2]</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
5	<p>Invoice Payments There were no issues with the invoices received from the contractor. Defaults and rectifications were deducted where appropriate and there was an audit trail as to the makeup of the default. The monthly deduction of £10.5k for cemetery fees was in accordance with contractual payments. A check between invoice payments submitted by the grounds maintenance contractor and the spreadsheet marked 'Grant Maintenance Profiled Payments 2014' showed slight discrepancies between the two – for the two months periods 4 and 5 – in both cases the invoiced amounts was less. The explanation given was that the spreadsheet was not updated.</p>	<p>Incorrect amounts on the spreadsheet may lead to inaccurate reporting and overpayments.</p>	<p>Management to confirm that the intended new process to simplify payments will mitigate the risk of errors.</p> <p>[Priority 2]</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	The minutes need to be more concise with ongoing or rolling programme of work stated as such. Issues that were not being resolved should be clearly highlighted for follow up action.	2	Minutes will clearly show rolling programme works to be addressed. Follow up action to be highlighted.	Greenspace Contract Manager	Already in place. August 2015
2	Ensure that the Annual meetings are held between the contractor and senior officers.	2	Annual review meetings form part of the new variation agreement. These meetings will be used review performance and set priorities.	Greenspace Contract Manager	April 2016
3	Management to review the performance areas and performance indicators that are currently being measured in respect of weighting/relevance.	2	Feature quality areas to be changed to ensure that various contract areas are assessed.	Greenspace Contract Manager	October 2015
4	It is recommended that key performance targets are reported at regular intervals to members/management	2	The new variation agreement sets out clear key performance indicators that area to be assessed by Senior Mgt.	Greenspace Contract Manager	October 2015

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	Management to confirm that the intended new process to simplify payments will mitigate the risk of errors.	2	A payment schedule has been simplified and has been in use since April 2015	Greenspace Contract Manager	Already in place. April 2015

OPINION DEFINITIONS

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

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