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DATE: 28 June 2016

To: Members of the
AUDIT SUB-COMMITTEE

Councillor Neil Reddin FCCA (Chairman)
Councillor Alan Collins (Vice-Chairman)
Councillors Ian Dunn, Peter Fortune, William Huntington-Thresher, Keith Onslow and Stephen Wells

A meeting of the Audit Sub-Committee will be held at Committee Room 1 - Bromley Civic Centre on **WEDNESDAY 6 JULY 2016 AT 7.00 PM**

MARK BOWEN
Director of Corporate Services

Copies of the documents referred to below can be obtained from
<http://cde.bromley.gov.uk/>

A G E N D A

- 1 **APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**
- 2 **DECLARATIONS OF INTEREST**
- 3 **CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 5TH APRIL 2016 (EXCLUDING THOSE CONTAINING EXEMPT INFORMATION) (Pages 5 - 16)**
- 4 **QUESTIONS TO THE COMMITTEE FROM COUNCILLORS OR MEMBERS OF THE PUBLIC**

In accordance with the Council's Constitution, questions to this Committee must be received in writing 4 working days before the date of the meeting. Therefore please ensure questions are received by the Democratic Services Team by 5pm on 30th June 2016.

- 5 **MATTERS ARISING FROM THE PREVIOUS MEETING (PART 1) (Pages 17 - 20)**
- 6 **QUESTIONS ON THE REDACTED REPORTS PUBLISHED ON THE WEB**

Members have been provided with advance copies of the reports via email.

The published reports are

- Review of Adult Education College Audit—2015/16
- Follow up review of Agency Staff Audit for 2015/16

- Follow up review of Capital Projects Audit for 2015/16
- Review of Car Parking Income Audit for 2015/16
- Cash and Banking Audit for 2015/16
- Follow up Audit for Domiciliary Care
- Follow up Audit for Transition Team for 2015/16
- Follow up review of Churchfields Primary School for 2015/16
- Review of SLAs for GP Practices Audit
- Review of Housing Benefit Audit for 2015/16
- Review of Legal Costs Audit for 2015/16
- Review of Libraries Audit for 2015/16
- Review of Oak Lodge Primary School Audit
- Review of Pensions Audit for 2015/16
- Review of Riverside School Audit for 2015/16
- Review of Treasury Management Audit for 2015/16
- Follow up review of VAT Audit for 2015/16

The reports are also available on the Council's website via the following link:

<http://cds.bromley.gov.uk/ieListDocuments.aspx?CId=559&MId=5838&Ver=4>

7 INTERNAL AUDIT PROGRESS REPORT (Pages 21 - 56)

8 ANNUAL AUDIT REPORT (Pages 57 - 104)

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

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

<u>Items of Business</u>	<u>Schedule 12A Description</u>
10 EXEMPT MINUTES OF THE MEETING HELD ON 5TH APRIL 2016 (Pages 105 - 112)	Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.
11 MATTERS ARISING-PART 2 (Pages 113 - 118)	Information relating to any individual. Information which is likely to reveal the identity of an individual. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

12 INTERNAL AUDIT FRAUD & INVESTIGATION REPORT (Pages 119 - 140)

Information relating to any individual.
Information which is likely to reveal the identity of an individual.
Information relating to the financial or business affairs of any particular person (including the authority holding that information)

13 ANNUAL FRAUD REPORT (Pages 141 - 156)

Information relating to any individual.
Information which is likely to reveal the identity of an individual.
Information relating to the financial or business affairs of any particular person (including the authority holding that information)



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AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.00 pm on 5 April 2016

Present:

Councillor Neil Reddin FCCA (Chairman)
Councillor Alan Collins (Vice-Chairman)
Councillors Ian Dunn, Peter Fortune, William Huntington-
Thresher and Keith Onslow

Also Present:

Sara Bowrey, Nigel Davies and Councillor Pauline
Tunncliffe

25 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies were received from Mr Dan Jones, and Mr Nigel Davies attended as alternate.

Apologies were also received from Councillor Stephen Wells.

26 DECLARATIONS OF INTEREST

Councillor Onslow declared an interest by virtue of his employment with Zurich Insurance Company, and with the Royal Borough of Greenwich.

27 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 1st DECEMBER 2015--EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

The public minutes of the meeting held on 1st December 2015 were agreed.

28 QUESTIONS FROM MEMBERS OF THE PUBLIC OR COUNCILLORS

Questions were submitted for oral response by Mr Bill Miller, Chairman of the Avalon Area Action Group.

The questions and answers are appended to the minutes as Appendix A.

29 MATTERS OUTSTANDING FROM THE LAST MEETING--PART 1

Report CSD 16053

The Committee noted the report on part 1 matters arising from previous meetings. The Chairman advised Members that the matters arising had either now been completed, or were to be expanded upon in the part 2 section of the meeting.

RESOLVED that the Matters Arising report be noted.

30 INTERNAL AUDIT PROGRESS REPORT

CEO 16015

The Internal Audit Progress Report informed Members of recent audit activity across the Council.

The Committee were updated concerning the Leaving Care (Payments to Clients) Audit. A previous audit had resulted in 9 Priority 1 recommendations, and at the last cycle, two of these were outstanding; these were Pathway Plans and Purchase Cards. Pathway Plans had now been actioned in 89% of cases, against a target of 85%, and this recommendation was now considered to be implemented. With respect to Purchase Cards, this recommendation was considered to be partially implemented, and it was acknowledged that management were taking the actions required to resolve the issues. The Committee were also informed that all 8 priority one recommendations in respect of the Family Placements audit had now been implemented.

The Committee were updated concerning the audit of Domiciliary Care. In the past, there had been two priority one recommendations. The first issue was relating to service agreements closed on the wrong dates, or non-closure. The second audit recommendation was around the number of hours that had planned to be delivered--not being reconciled to planned hours. The Committee heard that there were still problems in both these areas, and so both recommendations remained open.

The Audit of rent arrears in Temporary Accommodation was originally undertaken five years ago and was ongoing. As at March 2016, the total number of people in temporary accommodation stood at 1074, and the level of rent arrears was £3.58m. Reconciliations had begun with Orchard and Shipman, and this was expected to be completed by the end of the financial year. As the rent arrears remained high, this recommendation remained outstanding.

The Head of Internal Audit updated the Committee concerning the issue of Creditors, and the problem of "retrospective" orders. An audit that took place between October 2015 to December 2015, revealed that 2,155 retrospective orders were raised during that period. This was an increase from the previous quarter, and it was noted that 44% of these orders were related to Housing. The new housing system would not be available for some time, but in the interim, Internal Audit had agreed Housing's proposal to streamline payment

procedures, and it was hoped that this would reduce the volume of retrospective orders related to Housing.

The Head of Internal Audit summarised the main areas of audit activity, including the list of internal audit reports that had been published. Members were also advised of the six monthly update on new waivers sought attached as Appendix B in the committee report. The Head of Internal Audit advised that there were no concerns with the list of waivers.

An update was provided on VFM around the Youth Offending Service. The YOS was in the process of implementing an improvement plan that had been recommended subsequent to the inspection of the YOS by HM Inspectorate of Probation in February 2015. This was being scrutinised by the Youth Justice Board. It was considered that the implementation plan was partially implemented, and moving in the right direction.

The Head of Internal Audit updated the Committee concerning the matter of Public Sector Internal Audit Standards. It was explained that LBB had joined a London wide assessment external assessment group that would be involved with peer reviews of internal audit systems. LBB had been peer reviewed in March 2016 and the outcome of this review was awaited.

The Head of Internal Audit asked the Committee to note that the Internal Audit Budget had to achieve savings of £80k. This was going to be achieved by deleting two part time posts, and by the removal of the £40k for buying in services from the London Borough of Wandsworth. The £40k cut in the budget would reduce the ability of internal audit to buy in services.

With respect to Risk Management, it was highlighted that a 30 minute interactive online training package was being developed after consultation between Zurich and Learning and Development. It was hoped to launch the training package in July 2016. The Committee noted the new Risk Matrix that was attached as Appendix C. Members had raised queries on some classifications such as banking failure and IT systems failure (in the light of recent events) and had asked that 'Significant and High Risk ' be reviewed.

A Member referred to the table detailing "significant and high risks" and specifically to the possible risk posed by a loss of parking income. This was as a result of proposed Government changes to Parking Regulations that would lead to a major loss of parking income from fixed and mobile CCTV enforcement.

A Member referred the Committee to section 3.34 of the report, which outlined the 7 key risks that had been identified by the Corporate Risk Management Group. One of the risks had been identified as "Business Continuity and Emergency Planning". The Member expressed the view that Business Continuity and Emergency Planning was not normally classed as a risk.

The Committee were briefed that a new Annual Governance Statement would be presented to the meeting in July 2016. Work on this would be co-ordinated by the Corporate Risk Management Group.

RESOLVED

- (1) that the Internal Audit Progress Report be noted**
- (2) that the list of Internal Audit Reports published on the web be noted**
- (3) that the list of waivers sought since October 2015 be noted**
- (4) that the audit of VFM arrangements be noted**
- (5) that the arrangements around risk management be noted and that the high and significant risk spreadsheet in Appendix C be reviewed**

31 ANNUAL INTERNAL AUDIT PLAN 2016-17

CEO 16014

The report was submitted to inform Members of the Internal Audit Plan for 2016-17.

The Head of Internal Audit summarised the primary objectives of the Internal Audit Plan, as well as the methodology that would be involved in progressing the audit plan.

It was pointed out that the audit coverage for 2016/17 was going to drop from 830 days to 811 days due to the need to make budget savings. This would mean that the audit services that had previously been commissioned from LB Wandsworth would now be deleted. Similarly, it was the case that the vacancy of 0.6fte that internal audit had been holding would also now be deleted, as well as the part time post for a Risk Management Officer.

It was envisaged that effective communication would be maintained with the new external auditors to ensure that LBB's audit resource would be effectively managed and targeted.

It was highlighted that Internal Audit had been in discussions with the Commissioning Board to agree the best use of Internal Audit time, and out of these discussions a 40 day block of Chief Executive's Commissioning had been agreed.

A Member expressed satisfaction that 20 days had been allocated to the auditing of Contract Monitoring. However, he questioned the reasoning behind proposals to audit the Commissioning Board, expressing the view that this may be a case of "checking the check."

A Member asked when the “Early Years” audit was being done. The Head of Internal Audit stated that a precise time-frame had not been established, but that it was likely to commence at the start of the autumn term. The Member asked when an “Early Year” audit was last undertaken, and the response was that the audit would have taken place approximately two years ago.

A Member noted that 10 days had been allocated to the audit of the Community Infrastructure Levy (CIL). He expressed some concern that businesses may try and claim waivers to the CIL to avoid paying the levy, and that this was something that would need to be looked at closely.

A Member noted the 10 days allocated to the Biggin Hill audit, and wondered how far back this would go. The Head of Audit advised that an element of the 10 days would be allocated to rental income received from the Glades at the request of management.

A member had also requested that some time be allocated to reviewing SPV (Investment Special Purchase Vehicle which acquire housing stock for temporary accommodation) highlighted in the External Auditor’s Annual Plan that was on the agenda. The Head Of Audit advised that this would be taken into consideration.

RESOLVED that the Annual Internal Audit Plan 2016-2017 be noted.

32 EXTERNAL AUDIT ANNUAL PLAN 2016-17

Report CEO 1619

Mr Phil Johnstone and Hannah Andrews from KPMG attended the meeting to update on this report, and to answer any questions. KPMG had been appointed as the new external auditors. The report had been submitted for the attention of the Audit Sub Committee so that they could review the external auditor’s annual plan arrangements for 2015-2016.

Mr Johnstone commenced by outlining the matters of Materiality and Significant Risks. It was noted that materiality for planning purposes had been set at £9.3m for the Council and £7.4m for the Pension Fund. (In determining the relevance of financial information, regard needs to be given to its materiality. Information is said to be “material” if omitting it or misstating it could influence decisions that users make on the basis of an entity's financial statements).

Significant Risks had been identified as:

- Risk of fraud in revenue recognition
- Management override of controls
- Valuation of property, plant and equipment
- Valuation of pensions, assets and liabilities

The Chairman noted the VFM significant risks which had been identified as Financial Resilience and the Better Care Fund. He was pleased to note that the external audit fee had reduced by 25%.

The Committee were impressed with the information contained in the KPMG Local Government Budget Survey Document. The Chairman referred the Committee to section 7 of the document relating to savings measures that local authorities relying on for 2015-16 and beyond. The most popular measures were:

- Reducing Back Office spend
- Rationalising property and assets
- Working in collaboration with other bodies
- Purchasing Investment properties to generate income

Mr Johnstone commented that Councils were facing financial challenges, and that in many cases, instead of just looking at budget cuts, they were looking at ways to better use existing resources. A Member expressed the view that the KPMG Local Government Budget Survey be brought to the attention of the Executive and Resources PDS Committee.

A Member queried if academisation was on the radar for external audit, and the answer to this was no, there was a greater risk in the areas of health and social care. Concerning the BCF fund, Mr Johnstone expressed the view that developments in this area would be interesting, and that the proper utilisation of BCF funding was made easier when synergies existed between the local authority and the local CCG. He felt that any risks were greater at CCG level. A discussion took place about reserves, including the General Fund and Ear Marked Reserves, in addition to usable and unusable reserves. It was noted that unusable reserves could only be accessed by authorisation from the Secretary of State.

A Member queried the level of risk attached to the use of an Investment Special Purpose Vehicle (SPV). The KPMG report had noted that there were risks attached around the accounting treatment of the SPV, and the associated “gifting” to the pension fund. Mr Johnstone expressed the view that he did not anticipate that the SPV would impact adversely on the accounts. The Committee agreed that going forward, the mechanism for auditing SPV’s should be clarified, along with who would be doing it.

A Member referred back to the Local Government Survey document and asked if KPMG would be able to feed back to LBB with any useful or relevant experiences from other local authorities. Mr Johnstone responded that KPMG would be in regular dialogue with the Chief Executive and the Director of Finance.

RESOLVED:

(1) that the KPMG Local Government Budget Survey document be brought to the attention of the E&R PDS Committee

(2) that the mechanism for auditing SPV's should be clarified, along with who would be doing it.

(3) that the External Auditor's arrangements for the 2015-2016 Audit Plan be noted

(4) that the materiality limits set out in the plan be noted

(5) that the reduction in the audit fee by 25% be noted

(6) that the VFM arrangements set out in the plan be noted

(7) that the KPMG Local Government Budget Survey document be noted, along with the comments made by the Committee with reference to the document

33 QUESTIONS ON THE REDACTED REPORTS PUBLISHED ON THE WEB

No questions concerning the redacted reports published on the web had been received.

34 EXTERNAL AUDIT- GRANT CERTIFICATION REPORT

Report CEO 1620

The report had been submitted to inform members of the findings of the External Auditor's report on the annual certification for 2014/15.

Katy Elstrup from PWC attended to answer any questions that the Committee wished to ask concerning the External Audit Annual Certification Report 2014/15.

The Committee noted minor errors that had been identified in the Housing Benefit Subsidy Claim for the year ending 31st March 2015.

The Chairman asked some questions around subsidy cap rules, and Councillor William Huntington Thresher requested some further detail from Ms Elstrup around the issues of rent allowances and other matters. Ms Elstrup promised to respond in writing the following day.

It was noted that this was the last report that LBB would receive from PWC as new External Auditors had been appointed.

RESOLVED that the Grant Certification report be noted.

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

RESOLVED that the press and public be excluded during consideration of the items of business listed below as it was likely in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present, there would be disclosure to them of exempt information.

36 EXEMPT MINUTES OF THE MEETING HELD ON 1ST DECEMBER 2015

The exempt minutes of the meeting held on the 1st December 2015 be agreed

37 MATTERS OUTSTANDING FROM THE PREVIOUS MEETING- PART 2

Report CSD 16062

Members noted and commented on progress with matters arising for the previous meeting.

The full minutes of this item are noted in the part 2 minutes.

38 EXTERNAL AUDIT-UPDATE ON OBJECTIONS TO THE ACCOUNTS

Report CEO 1621

This report was presented to the Committee as a request had been made to provide an update on the objections to the accounts, and explanations on the costs. Ms Katy Elstrup from PWC attended to provide the update and answer any questions.

The full minutes are detailed in the part 2 minutes.

The Chairman thanked Ms Elstrup for attending, and for updating the Committee.

RESOLVED that the update on the objections to the accounts be noted.

39 INTERNAL AUDIT FRAUD & INVESTIGATION REPORT

CEO 16016

The report was presented to the Committee to inform Members of recent Internal Audit activity on fraud and investigations across the Council and provided updates on matters arising from previous sub committee meetings.

The full minutes of this item are detailed in the part 2 minutes.

RESOLVED that the Internal Fraud and Investigation Report be noted.

40 DATE OF THE NEXT MEETING

The date of the next meeting was confirmed as 6th July 2016.

Appendix A

The Meeting ended at 10.00 pm

Chairman

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Oral Questions to the Audit Sub Committee—5th April 2016

The following questions have been submitted by Mr Bill Miller (Chairman of the Avalon Area Action Group) for oral response:

(1) Will the Committee undertake an investigation into the tendering process for the refurbishment work and the award of the contract to Orchard and Shipman; when will this be completed?

(2) Will the Committee undertake an investigation into the tendering process and the cost of replacing the boilers at the Manorfields site; when will this be completed?

(3) Will the Committee undertake an investigation into the appointment of Orchard and Shipman to manage the Manorfields facility; when will this be completed?

ANSWER:

Orchard and Shipman have been the Council's managing agents for temporary accommodation since 2011. The Executive report of 14th October 2015 sets out both the business case and agreement for Orchard and Shipman to manage Manorfields under the wider temporary accommodation management agreement. The temporary accommodation gateway review went before Executive on 13th January 2016. This report agreed to enter into a new contract with Orchard and Shipman for the management of temporary accommodation, including both Bellegrove and Manorfields. Both reports were considered through Care Services and E&R PDS committees prior to the Executive meeting.

A public report will be published six months after the opening of Manorfields to provide an update on how the facility is operating.

Supplementary Questions:

1- Does the Committee recognise that it has abused its own processes?

Answer:

The Audit Team are looking at the various issues, and this is ongoing. A report will be published in due course.

2- Councillor Tunnicliffe is unhappy with the cost of the refurbishment. Where is this issue being discussed?

Answer:

The issue is being discussed in the Part 2 agenda. It is hoped that a final report will be available in July, and subsequently published. The Audit Team are looking at all the issues.

3- It looks as though the number of people in temporary accommodation is now in excess of 1,000 and that the level of rent arrears is now £3.87m. Reconciliations have now begun with Orchard and Shipman—Is this an example of a good management agent?

Answer:

Reconciliation is an ongoing process. The results of the various ongoing investigations will be published in due course. The Audit Sub Committee will not hold back on transparency.

Agenda Item 5

Report No.
CSD 16098

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **6th July 2016**

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

Title: **MATTERS ARISING**

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

Chief Officer: Mark Bowen, Director of Resources

Ward: n/a

1. Reason for report

To update the Sub-Committee on progress with Matters Arising (Part 1) from previous meetings.

2. **RECOMMENDATION(S)**

To note and comment on progress with matters outstanding from previous meetings.

To recommend any action as deemed appropriate with respect to matters that have not been resolved.

Corporate Policy

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

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Democratic Services
 4. Total current budget for this head: **£335,590**
 5. Source of funding: 2016/17 revenue budget
-

Staff

1. Number of staff (current and additional): 8 posts 7.27fte
 2. If from existing staff resources, number of staff hours: Completion of "Matters Arising" reports for the Audit Sub Committee normally takes a few hours per meeting.
-

Legal

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

Customer Impact

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

Ward Councillor Views

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

3. COMMENTARY

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

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

Appendix 1

Issue & Date	Summary	Action being taken	By	Estimated Completion
Minute 30 5 th April 2016 Internal Audit Progress Report	LBB Internal Audit had been peer reviewed in March 2016, and the outcome of the review was awaited.	Peer review being undertaken by a London wide external assessment group to assess public sector internal audit standards.	The External Assessment Group.	The outcome is reported in the Annual Audit report.
Minute 30 5 th April 2016 Internal Audit Progress Report	It was highlighted that a 30 minute interactive online training package was being developed after consultation between Zurich and L&D.	Training Package being developed.	Learning & Development.	July 2016 Still work in progress-update in the progress report.
Minute 30 5 th April 2016 Internal Audit Progress Report	The Committee were briefed that a new Annual Governance Statement would be presented to the next meeting.	The AGS is being developed.	Corporate Risk Management Group.	Will be presented to the meeting in July 2016. Update will be included in the Annual Audit report.
Minute 32 5 th April 2016 External Audit Annual Plan 16/17	The Committee agreed that going forward, the mechanism for auditing SPVs should be clarified, along with who would be carrying out the Audit.	Clarification being sought.	Internal Audit	Update to be provided to the July meeting. We have allocated some time in the plan to review this.
Minute 32 5 th April 2016 External Audit Annual Plan 16/17	It was resolved that the KPMG Local Government Budget Survey Document be brought to the attention of the E&R PDS Committee.	Document was forwarded.	Democratic Services	Completed

Report No.
CEO 1622

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 6 July 2016**

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

Title: **INTERNAL AUDIT PROGRESS REPORT**

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

Chief Officer: Chief Executive

Ward: (All Wards);

1. Reason for report

2. Reason for report

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

- 3.1 Priority One Recommendations
- 3.19 Audit Activity
- 3.22 Publication of Internal Audit Reports
- 3.25 Nomination for Auditor of the Year
- 3.28 Internal Audit Charter
- 3.31 Review of Value for Money arrangements
- 3.34 Housing Benefit Update on Referrals
- 3.37 Other Matters- Appointment of local auditors
- 3.42 Training-update
- 3.45 Risk Management

3. **RECOMMENDATION(S)**

- a. **Note the Progress report and comment upon matters arising.**
- b. **Note the list of Internal Audit Reports publicised on the web.**
- c. **Approve the Chief Executive's nomination for Auditor of the Year**
- d. **Approve the updated Internal Audit Charter.**

- e. Note the review of value for money arrangements in SEN**
- f. Note the latest on cases referred to the DWP and seek agreement to prosecute for council tax cases where overpayments exceed £3,000.**
- g. Note the latest position on the options to appoint a local auditor**
- h. Note the updated high and significant risks.**

Corporate Policy

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

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £469K including £174K fraud partnership costs
 5. Source of funding: General fund, Admin subsidy, Admin penalties, Legal cost recoveries
-

Staff

1. Number of staff (current and additional): 5.5 FTE
 2. If from existing staff resources, number of staff hours: 2016-17 -811 audit days are proposed to be spent on the audit plan, fraud and investigations – excludes RB Greenwich investigators time.
-

Legal

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

Customer Impact

1. Estimated number of users/beneficiaries (current and projected):): Approximately 100 including Chief Officers, Head Teachers and Governors
-

Ward Councillor Views

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

3. COMMENTARY

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

3.2 Progress on implementation of recommendations for Fixed Penalty Notices (1 partially outstanding priority one recommendation out of 6 priority ones made originally - see part 2); Stray Dogs (5 outstanding priority one recommendations and 1 partial outstanding out of 9 priority one recommendations originally made - see Part 2) ,Temporary Accommodation (2 outstanding priority recommendations out of 3 priority one recommendations original made- see part 2), Waste Services (2 outstanding priority recommendations out of 2 priority one recommendations originally made - see part 2). The above are covered in part 2 of this agenda. There are also 5 new priority one recommendations made in respect of a primary school (1 priority one that is in Part 2); Penalty Charge Notices (1 priority one that is in Part 2); Manorfields (2 priority one recommendations in Part 2); and Crystal Palace contractual matter (1 priority one that is in Part 2). The rest of the updates are detailed below. Leaving Care (9 priority 1 recommendations made of which 8 have been implemented and 1 priority one is partially implemented); Creditors (1 outstanding priority one recommendation out of 1 priority one made); Transition Team (1 priority one recommendation made which is outstanding); Domiciliary Care (2 priority one recommendations made both of which remain outstanding); and Extra care Housing (1 priority one recommendation made which is outstanding). There is also a brief reference below to the outstanding priority one recommendations on Rent Arrears.

3.3 Leaving Care (Payments to Clients)

3.4 A previous audit of this area resulted in a nil assurance opinion and 9 priority one recommendations were reported to this Committee. At the last cycle we reported that 8 of these recommendations had been fully implemented with one relating to purchase cards deemed to be partially outstanding.

3.5 The Leaving Care Team Monitoring Officer has now been set up with read only access to the purchase card system; reviewing transactions and prompting card holders to validate payments. Card holders in the team have attended a training session with the Finance Officer to reiterate the agreed procedures and good practice. The April 2016 purchase card audit confirmed that transactions for the team are being processed in a timely manner. Audit testing on a sample of payments was satisfactorily checked to the Leaving Care Team client records.

3.6 Given the improvement in internal procedures and controls evidenced in the team, satisfactory testing and the distribution of the monthly transaction report to Procurement, Finance and Internal Audit for scrutiny, this recommendation is now considered implemented.

3.7 Transition Team

3.8 A priority one recommendation was made in respect of overpayments and underpayments on a sample of direct payment cases that were reported to this Committee. The cases identified in the audit report were followed up but action including decisions to recover or refund or write off had not been made.

3.9 A follow up showed that the cases relating to direct payments in over or underpayment had yet to be actioned. The recommendation also stated that service agreements and rates should be updated where required.

3.10 Domiciliary Care

3.11 An audit of this area resulted in two priority one recommendations relating to service agreements closed on incorrect dates and also non closure. Sample testing showed that at the time of the audit, out of the sample of 44 cases selected for review, issues arose in 14 cases in relation to the dates of service and in one case non-closure. The second recommendation related to Extra Care Housing where in three cases the actual hours delivered were not reconciled to planned hours. A follow up of these two recommendations has shown that there were differences in the dates of death recorded on the system and in two instances were still open and that there were differences between planned and actual hours for worked for clients in Extra Care Housing.

3.12 Creditors

3.13 The original Internal Audit report identified that there was a significant number of orders that were raised retrospectively. A 'retrospective purchase order' report was run in May 2013 that showed that after adjustments there were 3,290 orders that had been made in the period 30/01/13 to 30/05/13, with two thirds of these attributed to 30 officers. Raising orders is crucial to committing expenditure for accounting purposes as well as verifying goods received to what was ordered. Three previous follow ups covering periods up to December 2015, showed that there was still a problem given the number of retrospective orders raised. In particular Housing accounted for 44% of the total.

3.14 The latest follow up covering the three month period March 2016 to May 2016 shows 2,129 retrospective orders being raised and is a slight decrease from the quarter to December 2015 when 2,155 were raised retrospectively. However 28 % of the orders related to Housing which is a decrease from 44%. This reflects the streamlining of the payment process. There has been an increase in retrospective orders in other areas that has left the number on similar levels as before. We have left this recommendation as outstanding and will do a further follow up for the next cycle of this Committee.

3.15 Rent Arrears –Emergency Accommodation

3.16 In 2011-12 when this recommendation was first made the total amount of rent arrears was £1.3 million and at the time there were 326 clients in temporary accommodation. We had previously reported that the arrears figure was £3.87 million at March 2016 (in respect of current and former tenants) and that the increase was mainly as a result of the number of people in TA which stood at 1,074. An element of the debt i.e. £527,768 relates to rent due from Orchard and Shipman clients. (This is expanded upon in Part 2 of this agenda). £1.98 million of the overall debt relates to former tenants and it is expected that there will be write offs.

3.17 Extra Care Housing

3.18 There was a priority one recommendation that care charges should reflect the actual care received on a weekly basis. Any increases or reductions in care should be reflected within the charges levied Adjustments to the individual care accounts should be rectified without delay. The process for charging for care hours should be reviewed. This recommendation will be followed up for the next cycle of this Committee.

3.19 Audit Activity

3.20 Members of this Committee were updated in April 2016 on our progress against the 2015/16 internal audit plan, completion of work brought forward from the 2014/15 plan and investigations. The period covered by the said update was April 2015 to March 2016. There was some slippage in the 2015/16 internal audit plan due to priority one findings arising from our investigations and audits that appear in part 2 of this agenda. The returned audit

satisfaction questionnaires indicate an overall average score of 4.5 out of 5 on finalised audit reports which is good.

3.21 In addition to planned audit work we also carried out the following:

- Planned audit work with the focus on completion of the 2015/16 Internal Audit Plan.
- Fraud and investigations - the results of which are reported in Part 2 of this agenda..
- Advice and support on Financial Regulations, variations to change in system controls.
- Monitoring role for the Greenwich Fraud partnership.
- Developing an e-learning training package in respect of audit controls and risk management.
- Liaison work with our external auditors in preparation of their audit of the 2015/16 accounts.
- Updating the risk register to promote consistency.
- Involvement in proactive exercises that are reported in Part 2.
- Committee work.
- Internal Liaison with the Commissioning Board; Corporate Leadership Team/Directors' Group; Directorate Management Teams, Corporate Management Team and Corporate Risk Management Group.
- External liaison with the various London Audit Groups - Fraud, Procurement, IT and Head of Audit. Also the London Boroughs Fraud Investigation Group and our External Auditors.

3.22 **Publication of Internal Audit Reports**

3.23 At the last meeting of this Committee we reported our seventh batch of Internal Audit reports finalised since March 2014 that was published on the web. In total 113 reports were publicised on the web. One exemption is being sought for this cycle that is explained in part 2 of this agenda.

3.24 Since the last cycle of this Committee we have published a further 17 redacted final reports making a total of 130 since publications first started.

- Libraries
- Adult Education College
- Churchfields Primary School follow up
- Legal Services
- Oak Lodge Primary School
- Review of Treasury Management
- Riverside School
- Review of Housing Benefit

- Review of Pensions
- Capital Budget follow up
- Review of Car Parking Income
- Review of SLAs for GP Practices 2015/16
- Transition Audit follow up
- Domiciliary Care follow up
- Review of Cash and Banking
- VAT follow up
- Agency Staff follow up

3.25 Auditor of the Year

3.26 This is an annual award made to an auditor by Members of this Committee. The paragraph below is a nomination for this award from the Chief Executive.

3.27 'I would like to nominate Luis Remedios for the Tickner Cup this year in recognition of the exceptional service he gives to the Council on a number of fronts. I think it would be appropriate for Luis to receive this award as he always prepares, presents and works well with Directors and Assistant Directors on corporate matters as well as other issues such as employment reports. Luis always does an outstanding job at Committee at representing issues on very sensitive matters and emotive subjects.'

3.28 Internal Audit Charter

3.29 We had previously reported to this Committee that under the requirements of the Public Sector Internal Audit Standards (PSIAS) which came in to effect in April 2013 was the need for an external assessment of the service every 5 years. We have joined a London wide external assessment group to undertake this assessment and we were assessed by the Head of Audit, from the London Borough of Haringey in mid-March 2016. The outcome of the assessment has been positive and is reported elsewhere on this agenda. However, one of the recommendations arising from the assessment was the need to update the Internal Audit Charter that was last approved by this committee in June 2013. The proposed updated Internal Audit Charter is attached as appendix B.

3.30 Its contents include Internal Audit's purpose; authority; responsibilities; due professional care; audit independence; reporting and liaison with external audit. Members are asked to comment on and approve the Internal Audit Charter.

3.31 Value for Money Arrangements

3.32 We had previously reported that we still had to complete one rolled over review of VfM arrangements which was for Special Educational Needs (SEN). This audit is currently ongoing and value for money will be considered in all aspects of the fieldwork and review. However specific aspects of the value for money matrix have been assessed as reported below.

3.33 The standard methodology to review value for money arrangements (VfM) was agreed by Members in September 2010. The matrix to assess value for money gives a rating 1 to 4, with 1 equating to not met and 4 equating to fully met. The VfM arrangements for this service were

discussed with management and based on the findings, a score rating of 3 out of 4 is reported, which is substantially met. Initial findings indicate that the service performs well but the audit will need to be completed before the value for money score can be finalised. This is based on the following findings:

- This service is regularly benchmarked with other Authorities and the team provide data for the London Authorities benchmarking, CIPFA returns and the SE London Commissioning Group of which Bromley is one of 10 Authorities.
- The 2015-16 High Needs costs comparison report was reviewed with management and showed that there was a good understanding of benchmarking. Three costs centres showed Bromley as high spend but all were satisfactorily explained; high NHS lease at Phoenix Centre and grouping of expenditure distorting the result.
- Bromley are seen as champions of SEN provision and have been used as pathfinders for change. The introduction of Education Health and Care Plans (EHCP) was piloted at Bromley and our procedures rolled out as good practice.
- As a pathfinder Authority, Ofsted conducted a trial inspection of Bromley SEN in October 2015, and, although there was no published report or formal grading the verbal feedback was very positive in areas such as cooperative working, engaging with stakeholders, sound processes within the service and that young people in our schools felt safe.
- SEN data is part of the Performance Digest reports, presented to and discussed at DMT and the Performance Board.
- The service regularly engages with parents to gauge customer satisfaction. The Authority have developed the Pupil Resource Agreement (PRA) which is provision of non- statutory top up in schools, the objective being to keep a pupil in a Bromley mainstream school. The annual review of the PRA involves the school, the case worker and parents and seeks to demonstrate added value. The success of the PRA is measured by 230 cases since September 2013; as at May 2016, 39 no longer require support and 52 have been transferred to statutory provision.
- SEN is an area of high funding and expenditure, spread over multiple budget heads and cost locations. The Dedicated Schools Grant will offset overspend for SEN which in 2015-16 was £83K. The RSG element of SEN had a net overspend of £143K for 2015-16 with a £385K overspend for SEN transport identified as the main variance, due to new contracts awarded effective from September 2015 with revised pricing and front loaded inflation costs. Monitoring meetings are now held quarterly and management engage with Finance to provide budget monitoring notes.

3.34 Housing Benefit (HB) Fraud Cases Referred to the DWP update

3.35 At the last meeting of this Committee we reported that a total of 193 cases were referred to the Single Fraud Investigation Service team of the DWP since the transfer of housing benefit fraud on the 1st July 2015. We have been advised that to date there have been no prosecutions or administrative penalties on these referrals. However, the DWP have informed us that there are a few cases awaiting decision but it is not clear if these relate to the referred cases or those that went directly to them.

3.36 In conjunction with RB Greenwich, Liberata and LB Bromley's Head of Revenues and Benefits we recently met with the local DWP management to discuss a protocol on fraud HB cases that had an element of council tax support /single person discount fraud as well as administrative penalty cases. It appears that joint working on the referred fraud cases is not an option. There are some pilots going on to explore this and it may be that the local DWP office may seek to join

this pilot involving Bromley. However, in the absence of any agreement for joint prosecutions it is our intention subject to Member approval to investigate the Bromley element of these cases and where appropriate prosecute for council tax support where the overpayment exceeds £3,000.

3.37 Other Matters-Appointment of the External Auditor

3.38 Local audit contracts for local authorities

3.39 We had previously reported that there is currently a requirement that from the financial year 2018/19 the appointment process under the Local Audit and Accountability Act 2014 will be operational.

3.40 The Department for Communities and Local Government (DCLG) extended the auditor contracts let by the Audit Commission by one year so that authorities do not need to have their appointments completed until 31 December 2017, ready for the 2018/19 financial year. Decisions do need to be made by authorities during 2016 about how they plan to make that appointment. The Act provides for two principal routes:

- The authority leads the appointment process, either independently or in collaboration with other authorities. For this they need to appoint an auditor panel to advise on the process. The final decision is made by full council. For this option the appointment of an auditor panel will be required and the appropriate regulations must be followed. Partners in the appointment will need to make a number of decisions before the actual procurement can start i.e. how the auditor panel will be set up; recruitment of panel members; procurement strategy, including key services required and term of contract.
- The Act provides for the approval of a sector-led body to act as 'appointing person' and to undertake a procurement exercise and appointment on behalf of the authority. As yet no organisation has been approved by the Secretary of State, however the LGA has announced that it proposes that Public Sector Audit Appointments Ltd (PSAA) will seek that approval. PSAA is the company managing the current external audit contracts since the Audit Commission closed. So far only PSAA have indicated that they will seek approval from the Secretary of State, but it is possible that other organisations could also seek approval. The Local Government Association (LGA) has written to council chief executives asking them to express interest in taking the opt-in route by 30 April 2016, although this would not be a binding commitment.
- It is not certain when arrangements will be finalised and further planning needs to be undertaken by PSAA before approval is made and they can make a formal invitation to councils. The LGA and PSAA websites do contain details of their current intentions and further updates are likely to become available in due course. They have suggested that they would like the opt-in decision to be completed by September 2016. Under the regulations eight weeks must be allowed to authorities from the issue of the invitation. This would indicate that the invitation would need to be sent to authorities by the end of July 2016 at the latest. The decision to opt into a sector led procurement would need to be made by full council and auditor panel arrangements would also need their approval.

3.41 We will keep Members updated on how this develops.

3.42 Training

3.43 **Audit Controls- online interactive training-** we had previously reported the development of an online interactive training package for officers to promote awareness of our key findings and resultant control weaknesses identified from Internal Audit reports. The training is aimed primarily at managers and officers who have finance related functions and is expected to be

about 30 minutes in duration including a question and answer session. Preliminary testing identified glitches which are currently being addressed.

3.44 **Risk Management – online interactive training-** Work is currently in progress to provide a 30 minute interactive package that officers can access and complete as a replacement to running risk management courses. The implementation of this training package is expected to be completed in late July 2016.

3.45 Risk Management Update

3.46 At the last cycle of this Committee we had reported in detail on both the revised corporate risks and the high and significant net risks. Whilst Members were in agreement with the proposed corporate risks, there were some queries on the revised high and significant net risks and they had asked for a review of the document.

3.47 The following changes have been made:

- Treasury Management - Failure to manage and control Treasury Management activities with the result that we do not maximise our interest earnings on balances. Previously significant now medium risk as the net likelihood has been reduced from likely (annually) to unlikely (3 yearly). Increased average balances and additional interest earnings from longer term investments, and higher rates obtained from 'alternative' investments (pooled property fund and diversified growth funds) resulted in a surplus of £1.5m in 2015/16.
- Banking Failure - Banking failure with the result that our investments are at risk and subject to prolonged recovery process. Previously significant now medium risk as the net likelihood has been reduced from likely (annually) to unlikely (3 yearly). Although the amounts involved are large £302m much of this is with the part nationalised banks and other local authorities (£226m). The last financial crisis affecting all banks was in 2008.
- Industrial Action - Sustained industrial action affecting key service areas in ECHS – disruption in normal business. Previously significant now medium risk as the net likelihood has reduced from almost certain (monthly) to likely (annually). Previously the department was experiencing rolling strike action in some areas. This is not currently the case.
- Parking Income - Proposed government changes in parking regulations leading to major loss of parking income from fixed and mobile CCTV enforcement (fines). Previously significant now low as impact reduced from moderate (between £100k and £1m) to minor (between £50k and £100k) and likelihood reduced from highly likely (quarterly) to unlikely (3 yearly). In practice although parking enforcement using mobile CCTV cameras ceased, static CCTV cameras enforce bus lanes and schools (to improve safety) and the new projected income target will be met (and possibly exceeded). In addition staff costs are reduced through the use of automated CCTV. The net risk score is now low reflecting the revised / reduced income target and reduced staffing costs.
- IT System Failure (partial loss) - Partial loss of IT systems i.e. Outlook, resulting in widespread disruption across the Council. Previously medium risk now significant as likelihood increased from likely (annually) to highly likely (quarterly). ICT are in the process of upgrading the infrastructure to the latest standards, and migrating systems onto the new platform which will reduce the number of single system failures. Until this work is complete the risk level has been raised.

3.48 Full details of the current high and significant net risks, including controls, actions and financial implications are attached as Appendix C. We also attach a copy of the risk management guidelines as Appendix D. Going forward we will monitor all the high and significant net risks.

3.49 Code of Corporate Governance

Our Code of Corporate Governance was last updated and approved by full Council on 23 September 2013. CIPFA / SOLACE have been reviewing the existing 'Delivering Good Governance in Local Government Framework (2007)' to reflect the 'International Framework: Good Governance in the Public Sector (2014)', and have published a new 2016 Framework along with 'Guidance Notes for English Authorities'. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. The seven principles are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

3.50 It is recommended that authorities should test their governance structures and partnerships against the principles contained in the Framework by:

- Reviewing existing governance arrangements.
- Developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness.
- Reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The Framework applies to Annual Governance Statements prepared for the financial year 2016/17 onwards. We will review and update our Code of Corporate Governance against the new Framework and report back to this Committee at the next meeting.

3.51 Risk Register

3.52 At the Local Joint Consultative Committee meeting on 9 June 2016 the question was asked why the Risk Management Strategy was not published on the Council's website. Councillor Wilkins also expressed the view that the Risk Register should be in the public domain, as was the case with many other local authorities. Councillor Colin Smith stated that subject to legal advice, and in view of the fact that other local authorities were publishing this information, then there was a strong case for LBB to do the same.

3.53 We have looked at what 8 local London councils publish on their website. Two have risk management pages, three publish their Risk Management Strategy but it would appear that

none of them publish their risk register other than via their 'Meetings, Decisions and Documents' page, which is what we do.

3.54 We have raised this at a recent meeting of the Corporate Leadership Team and the view was that the risk register should not be published. It remains a live document and would need some redacting and would take a lot of resource to keep current. There is no reason why we can't publish the Risk Management Strategy which is currently being updated.

4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

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

6. LEGAL IMPLICATIONS

There is a statutory requirement to provide an internal audit function through the Accounts and Audit Regulations 2015.

7. PERSONNEL IMPLICATIONS

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

Non-Applicable Sections:	Policy
Background Documents: (Access via Contact Officer)	Published internal audit reports on the web are discussed in this report.

Report Number/Date	Title	Opinion	No. of Priority One's	Details of original Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
ECHS/068/01/2011	Emergency Accommodation & Rent Accounts	Limited Assurance	1	Service Teams, including LATCH, Leaving Care Services, Core and Cluster [now Supported Living], Traveller and Orchard and Shipman are not recovering rent arrears or monitoring the debts of their clients, which on 10/2/12 gave an accumulative total of £533,753.50 in these groups. Teams did not have access to the accounting files on Anite. In addition, these teams do not hold detailed procedures to outline the process for the recovery of debts The previous audit also highlighted problems with rent arrears in emergency accommodation. Total rent arrears for current and former clients stands at £1,266,528 compared to £1,268,466 in January 2012.	In progress	Exchequer Manager/Liberata Sundry Debtors Section Manager/Group Manager Leaving Care Team/Group Manager Residential Services/Group Manager Housing Needs	See comments in progress report.	High
CEXFin/009/2013	Creditors	Limited Assurance in the area of orders not being raised	1	5/27 payments sampled (excludes Confirm payments from the sample of 35) had orders raised on the same day as or after the invoice date. A 'retrospective purchase order' report was run in May 2013. This showed 4,788 retrospective purchase orders had been made in the period 30/01/13 to 30/05/13, with 68% of these attributed to 30 officers. However further examination of this report identified duplicated purchase order lines therefore producing inaccurate results with the actual total of 3,290 retrospective order being raised during the period. This would reflect new results to identify areas of concern.	In progress	Exchequer Manager/All Budget Holders	See comments in progress report.	High
ECH/035/01/2014	Transition Team	Follow Up	1	Direct payment service agreements were found to either be in overpayment due to the incorrect amount being being or the incorrect time period e.g term time only. Underpayments were found due to the rates not being uplifted on review as expected or the incorrect amount being paid.	In progress	Group Manager, CLDT.	Follow up indicated that it is o/s. See part 1 progress report.	High
ECH/007/01/2014	Domiciliary Care	Follow Up	2	Services closed with incorrect dates or not actioned in a timely manner. Extra Care Housing -no reconciliation of actual hours provided to clients across three units.	In progress	Head of Assessment & Care Management & Strategic Commissioner Client Resources. Group Manager, Care Manager and Operational Manager.	Follow up indicated that both are o/s. See part 1 progress report	High
ECH/031/01/2015	Temporary Accommodation	limited	10/s	Part 2	In progress	Asst Dir. Housing Needs	Part 2	

Report Number/Date	Title	Opinion	No. of Priority One's	Details of original Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
CEX/012/01/2015	Stray Dogs Contract	N/A	5o/s & 1partial	Part 2	In progress	Head of Environmental Protection	Part 2	High
ENV/003/01/2015	Waste Services Audit	limited	1o/s	Part 2	In progress	Head of Waste services and Contracts Manager (Waste & Refuse service)	Part 2	High
ECH/018/01/2015	Extra Care Housing Audit	limited	1	Domiciliary care statements should reflect and detail the actual care delivered within respective weeks.Care charges should reflect the actual care received on a weekly basis. Any increases or reductions in care should be reflected within the charges levied Adjustments to the individual care accounts should be rectified without delay. The process for charging for care hours should be reviewed.It should be investigated how the credit balance arose in this Appointeeship case. Financial Assessments should be undertakenregularly. Confirmation should be provided to Internal Audit that there are no other similar cases that have fallen outside of the process. All financial assessments should be readily available and contribution levels evidenced.	In Progress	Exchequer Manager/Care Management	See comments in progress report.	High
CYP/P08/01/2015	Blenheim Primary School		1	Part 2	Implemented	Headteacher and School Finance Officer	Part 2	High
ENV/004/02/2015	Penalty Charge Notices	Limited	1	Part 2	In progress	Head of parking Services	Part 2	High
ENV/019/05/2015	Crystal Palace Skatepark and Shadow Board Recruitment Projects	Limited	1	Part 2	In progress	Assistant Director, Leisure and Culture	Part 2	High
ENV/019/05/2015	Manorfields	NA	2	Part 2	In progress	Asst Dir. Housing Needs	Part 2	High
The following priority one recommendations have been implemented:								
Leaving Care Team - 1 partially implemented now fully implemented								
Fixed Penalty Notices- the outstanding priority one on contractual arrangements with the provider has been resolved.								
Temporary Accommodation -1 out of the three P1s remains outstanding- Part 2.								

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London Borough of Bromley

Internal Audit Charter

Purpose

Internal auditing is an independent and objective assurance and consulting activity that is designed to add value to improve the London Borough of Bromley's operations. It assists the Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.

Internal Audit is a statutory requirement. The Accounts and Audit Regulations 2015 require the Council as a "relevant body" to maintain an "adequate and effective system of internal audit of their accounting records and control systems".

The Public Sector Internal Audit Standards (PSIAS) sets down the scope, powers and responsibilities of internal audit functions and internal auditors. Internal Audit supports the Director of Finance in undertaking statutory responsibilities for the proper administration of the Council's financial affairs and for reporting unlawful actions under the Local Government Act 1972 Section 151. The Accounts and Audit Regulations (2015) specifically require the provision of an internal audit service.

Authority

Internal Audit, with strict accountability for confidentiality and the safeguarding of records and information, is authorised full unrestricted access to any and all of the organisation's records, physical properties, assets and personnel pertinent to carrying out any engagement. All employees are requested to assist Internal Audit activity in fulfilling its roles and responsibilities. The Head of Internal Audit will also have unrestricted access to the Chairman of the Audit Sub-Committee.

To enable the external auditors to discharge their responsibilities, Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised.

Responsibility

The Head of Internal Audit provides an annual opinion in the Annual Governance Statement to the Council and to the Section 151 Officer, through the Audit Sub-Committee, on the adequacy and the effectiveness of the

internal control system for the whole Council. To achieve this, Internal Audit has the following objectives:

- Provision of an independent and objective audit service that effectively meets the Council's needs, adds value, improves controls and helps protect public resources,
- Assure management that the Council's business is being conducted in accordance with statutory requirement, internal regulations and procedures,
- To impact on the effectiveness of governance, risk management and internal control of the organisation,
- Provision of advice and support to management to enable an effective control environment to be maintained,
- To promote, in conjunction with the Royal Borough of Greenwich, an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud,
- To investigate, in conjunction with the Royal Borough of Greenwich, allegations of fraud, bribery and corruption,
- Monitoring Bromley's Benefit Anti-Fraud service which is run in partnership with the Royal Borough of Greenwich; liaising with the National Fraud Authority, London Boroughs Fraud Investigation Group, London Fraud Forum, Police Public Sector Fraud Squad and local police as required,
- Co-ordinating the National Fraud Initiative (NFI) exercises for the Council,
- Liaising with and advising the Royal Borough of Greenwich about other proactive exercises to identify fraud,
- Advising on and carrying out, as required, the investigation of suspected irregularities and advising on the appropriate action to be taken,
- Provision of on-line training in Financial Regulations, fraud awareness, audit controls on key findings, risk management and, in conjunction with Procurement, Contract Procedure Rules.

Sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance.

Due Professional Care

In carrying out our Internal Audit work we are bound by the requirements of:

- All Council policies and procedures,
- Bromley's Code of Corporate Governance,
- All relevant legislation,
- UK Public Sector Internal Audit Standards,
- Seven Principles of Public Life (Nolan Principles),
- Bromley's Code of Corporate Governance,
- Institute of Internal Audit's Code of Ethics and
- Bromley's Financial Regulations and Contract Procedure Rules.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies.

Independence

The Head of Internal Audit has free and unfettered access to the following:

- Chief Executive,
- Director of Finance,
- Monitoring Officer (who is the Director of Corporate Services),
- Chairman of the Audit Sub-Committee and
- Chief Officers

Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not compromised in the event of any potential conflicts of interest.

Reporting

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Charter and any amendments to it are reported to the Audit Sub-Committee for formal approval annually.

- The annual Internal Audit Plan is compiled by the Head of Internal Audit taking account of the Council's risk framework and after input from Senior Management. It is then presented to the Audit Sub-Committee for formal approval. The Internal Audit Plan includes timing as well as budget resource requirements for the financial year.
- The internal audit budget is reported to Members and Full Council for approval annually as part of the overall Council budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the Audit Sub-Committee.
- Performance against the Internal Audit Plan and any significant risk and control issues arising from audit work are reported to the Audit Sub-Committee periodically. Any significant deviation from the approved Internal Audit Plan will be communicated through this reporting process.
- Any significant unplanned activity not included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit Sub-Committee.
- Any significant findings from Internal Audit's Quality Assurance and Improvement Programme will be reported to the Audit Sub-Committee.

Management will receive a timely written report at the conclusion of each internal audit engagement which:

- will have a short management summary,
- will detail any matters of significance that have arisen with priority one issues highlighted,
- will provide an opinion of the adequacy of controls reviewed with one of four assurance opinions given i.e. full, substantial, limited or nil assurance,
- will recommend practical ways in which system weaknesses can be addressed,

The distribution of reports will be set out within the terms of reference prior to an audit. In the event of major findings, these are reported to Chief Officers, the Chief Executive and Audit Sub-Committee.

The annual Internal Audit Plan as agreed by the Audit Sub Committee and any investigation work will be carried out by a team of 5.5 FTE suitably experienced and qualified Principal Auditors including the Head of Internal Audit. Where a shortfall in delivering the plan is identified this will be augmented by commissioning of outside services such as Mazars under a

framework contract agreed with the London Borough of Croydon. Investigative work on fraud related matters will be assigned to the Royal Borough of Greenwich under the partnership agreement that operates with that Borough. Non fraud related investigations such as breach of Financial Regulations and the Contract Procedure Rules will be undertaken by Internal Audit.

External Auditors

Internal Audit will closely liaise with the external auditors to ensure maximum coverage, non duplication of audit coverage, sharing of information and the placement of reliance on Internal Audit work.

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Risk Ref:	Department	Division	Section
CEX/ICT.0014	Chief Executive's	Corporate Services	All ICT Sections
Risk / Consequences and Risk Category	Disaster Recovery Inadequate disaster recovery arrangements leading to dislocation of Council services Data and Information - Operational		
Risk Owner	Stuart Elsey		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
5	2	Significant	10
Existing Controls	1. Stand-by arrangements available so that in the event of failure highest priority services can be recovered		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
5	2	Significant	10
Proposed Actions	<ul style="list-style-type: none"> - Working with BT to review and implement disaster recovery arrangements as part of new IT contract. - Effective application of malware protection and security measures through the Facilities Management (FM) contract with BT - Technical design takes into account the criticality of systems and ensures, where justified, that additional resilience is built in - Virtualisation project will help facilitate disaster recovery provision with the option of using the cloud to provide quick capacity - New Storage Area Network (SAN) gives additional replication facilities to work with suitable partners reducing the time to switch over to a DR site 		
Financial Implications	<p>The net risk remains the same as the gross risk pending the outcome of the review with BT.</p> <p>Financial implications depend on outage duration and Business Continuity plans.</p>		

Risk Ref:	Department	Division	Section
CEXICT.0418	Chief Executive's	Corporate Services	All ICT Sections
Risk / Consequences and Risk Category	IT System Failure (total loss) Complete failure of IT systems resulting in widespread disruption across the Council Data and Information – Operational		
Risk Owner	Stuart Elsey		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
5	3	High	15
Existing Controls	1. Effective incident management / support and resilient systems in use so that single points of failure are minimised 2. Technical design that takes into account the criticality of systems and ensures, where justified, that additional resilience is built in 3. Ensure proactive monitoring tools are in place to highlight potential issues before there is a major incident 4. Backup power arrangements in the event of power issues (most likely)		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
4	3	Significant	12
Proposed Actions	- Ongoing monitoring		
Financial Implications	Due to the resilience in place the biggest risks for a total loss (temporary) is from external influences namely the power, which has been responsible for 2 outages in February 2016. Financial implications depend on outage duration and Business Continuity plans (estimate £100 to £200 per day per staff member affected). - N.B the gross and net likelihood should not be yearly, however given the seriousness of a complete failure it was felt that the risk should be elevated.		

Risk Ref:	Department	Division	Section
CEX/ICT.0149	Chief Executive's	Corporate Services	All ICT Sections
Risk / Consequences and Risk Category	IT System Failure (partial loss) Partial loss of IT systems i.e. Outlook -resulting in widespread disruption across the Council Data and Information – Operational		
Risk Owner	Stuart Elsey		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
4	4	High	16
Existing Controls	1. Effective incident management / support and resilient systems in use so that single points of failure are minimised 2. Technical design that takes into account the criticality of systems and ensures, where justified, that additional resilience is built in 3. Ensure proactive monitoring tools are in place to highlight potential issues before there is a major incident		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
3	4	Significant	12
Proposed Actions	- We are in the process of upgrading the infrastructure to the latest standards, and migrating systems onto the new platform which will reduce the number of single system failures		
Financial Implications	Financial implications depend on outage duration and Business Continuity plans (estimate £100 to £200 per day per staff member affected).		

Risk Ref:	Department	Division	Section
CEX./ACT.0305	Chief Executive's	Finance	Accountants
Risk / Consequences and Risk Category	Capital Income Capital income shortfall due to a reduction in capital receipts and delays in disposals as a result of the economic environment Economic – Strategic		
Risk Owner	James Mullender		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
5	3	High	15
Existing Controls	1. Close monitoring of spend and income 2. Reporting to Members 3. Tight control of spending commitments		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
4	3	Significant	12
Proposed Actions	- Quarterly reports on capital receipts (actual and forecast) to Executive		
Financial Implications	The February 2016 capital programme includes estimated disposal receipts of £3.9m in 2015/16, £17.0m in 2016/17 and an average of around £2.3m per annum in later years. The financing model assumes all planned receipts are achieved and reflects prudent assumptions on the level of capital receipts. Actual receipts from asset disposals totalled £3.9m in 2015/16, matching the 3rd quarter projection.		

Risk Ref:	Department	Division	Section
CEX/FIN.0282	Chief Executive's	Finance	All Finance Sections
Risk / Consequences and Risk Category	<p>Budget</p> <p>Failure to produce and deliver a balanced budget which meets priorities.</p> <p>Greater financial uncertainty to reflect impact of public finances and austerity measures, whilst new burdens and key service pressures due to demographic and other factors remain.</p> <p>Economic – Strategic</p>		
Risk Owner	Director of Finance		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
4	3	Significant	12
Existing Controls	<p>1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports</p> <p>2. Departmental risk analysis</p>		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
4	3	Significant	12
Proposed Actions	<ul style="list-style-type: none"> - Reporting of financial forecast updates in year to provide an update of financial impact and action required - Obtain monthly trend / current data to assist in any early action required - Obtain regular updates / market intelligence 		
Financial Implications	<p>The Council has a significant budget gap of £27.6m per annum by 2019/20. The Local Government Finance Act 1992 highlights councillors having a legal duty to set balanced annual budgets and ensure they are robust and have adequate reserves. It is essential that action is taken as soon as possible to address the budget gap and mitigate against the risk of statutory duties not being fully met.</p> <p>Continuation of austerity measures resulting in reductions in government funding until 2019/20 will significantly increase the risk at the latter part of the financial forecast period.</p>		

Risk Ref:	Department	Division	Section
CEX/FIN.0095	Chief Executive's	Finance	All Finance Sections
Risk / Consequences and Risk Category	Government Funding Government funding shortfall which would have to be made up by budget cuts Economic – Strategic		
Risk Owner	Director of Finance		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
5	4	High	20
Existing Controls	<ol style="list-style-type: none"> 1. Modelling of proposals from the various Government departments 2. Lobbying on proposals and Society of London Treasurers (SLT) 3. Working with London Councils on lobbying 4. Working with outer London boroughs on lobbying and opportunities from joint working 		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
3	4	Significant	12
Proposed Actions	- Model implications of various changes and adapt financial strategy to address implications		
Financial Implications	As austerity continues until at least 2019/20 it is essential to identify as accurately as possible the scale of funding reductions to ensure that action can be taken in sufficient time to have a balanced budget as part of the Council's statutory requirements.		

Risk Ref:	Department	Division	Section
ECS/ALL.0245	Education and Care Services	All ECS Divisions	All ECS Sections
Risk / Consequences and Risk Category	<p>Council Budget Savings</p> <p>Adult Social Care Meeting Corporate directive on in year savings.</p> <p>Impact of not achieving savings in agreed areas such as outsourcing of in-house services (e.g. reablement and ECH) means that additional savings are required within ECHS budgets.</p> <p>National Living Wage Impact on budget for the Council (Care providers and Carers).</p> <p>Department of Health The DoH has set out options to achieve the planned £200m in year reduction in public health spending, with an across the board 6.2% cut for all authorities emerging as its preferred proposal.</p> <p>Financial – Operational</p>		
Risk Owner	ECHS DMT		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
4	4	High	16
Existing Controls	<ol style="list-style-type: none"> Existing financial risk management strategies. Medium Term Financial Strategy. Monitor and review achievement of savings and their effect. 		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
4	3	Significant	12
Proposed Actions	<ul style="list-style-type: none"> - Achievement of savings requires changes in planned service activity and staff re-organisation. - Invoke established HR procedures for managing change in the workforce (redundancies and redeployment). - Undertake a structured review of placements and support packages. - Renegotiation of continuing health care packages with health partners to agree a more structured approach across both children and adults 		
Financial Implications	<p>Savings are embedded in the budget. Risks reviewed monthly by managers/finance to monitor the potential financial impact. Generally the cuts in LA funding will have an impact as ECHS will have to find additional savings in future years like all other departments. There is a risk around whether we can provide our statutory duties and whether there is the critical mass to provide services to the schools that remain maintained. The</p>		

	<p>Council is lobbying Government on these issues.</p> <p>As reported in June 2016, a projected overspend of £3.8m is forecast on the Care Services controllable budget. The projected full year effect is £4.6m overspend.</p> <p>The 2016/17 projections are as follows:</p> <p>Adult Social Care Overall the position for Adult Social Care is a predicted £2,129k overspend. The main area of overspend is in Placements/Domiciliary Care/Direct Payments for 65+ where client numbers are currently above the budgeted figure.</p> <p>Children's Social Care Children's Social Care is expected to be overspent by the year end by £1,976k. There continues to be pressures in placements which have seen an increase in activity in the past few months. There are pressures in Safeguarding and Care Planning, mainly around care proceedings costs which remain volatile. This is partially offset by an underspend in no recourse to public funds. Leaving Care is overspent mainly due to the cost of rents being over the housing benefit thresholds and increased packages of care and support that are needed to support the care leavers.</p> <p>Commissioning There is an overspend of £1,813k predicted in commissioning. This is in the main down to placement projections in Learning Disabilities and Mental Health being higher than expected. These budgets are volatile and assumptions have been made relating to uncertainties such as transition clients, attrition and health funding, which may have an impact as the year progresses.</p> <p>Temporary Accommodation - Bed and Breakfast See budget comments under individual risk.</p> <p>All areas have significant savings targets in 2016/17.</p> <p>The DoH has set out options to achieve the planned £200m in year reduction in public health spending, with an across the board 6.2% cut for all authorities emerging as its preferred proposal. We will see continuing pressure to find the required savings to meet targets.</p>
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Risk Ref:	Department	Division	Section
ECS/SSC.0178	Education and Care Services	Children's and Adult Social care	Children's and Adult Social Care
Risk / Consequences and Risk Category	Recruitment and Retention of Social Care Staff		
	<p>Impact of failure to recruit and retain suitably qualified and experienced Children's Social Work staff (national problem which particularly affects London and the South East), Occupational Therapists and Adult Social Care posts:</p> <ul style="list-style-type: none"> - Budget instability arising from costly agency placements (children) long term residential placements (adults); - Fall in performance against PIs (both children and adults); - Inability to deliver improved outcomes for children and adults, meet statutory duties, safely manage risk to children; - Lack of timeliness in responding to assessment requests leading to a delay in key preventative services being delivered; - Possibility of poor inspection outcomes; - CSI Improvement Plan targets may not be achieved. <p>Personnel – Operational</p>		
Risk Owner	AD Children's Social Care AD Adult Care Services		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
3	5	High	15
Existing Controls	<ol style="list-style-type: none"> 1. Regular six weekly monitoring of staffing positions with HR. 2. Adherence to recruitment and retention strategies. 3. Strict monitoring of supervision/appraisal/performance data. 4. Refresh of the Recruitment and Retention Strategy for 2015/16 and 2016/17 (PDS Report CS 14078 21st January 2015) 		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
3	4	Significant	12
Proposed Actions	<p>- In Feb 2010 Executive approved £817k 'Invest to Save' money over 4 yrs for a Recruitment & Retention scheme for Children's Social Work staff. Funding for this scheme expired in March 2014 and review has concluded it will be necessary to continue with the package to remain competitive. Package continued for 2015/16 and 2016/17 financial years</p> <p>Outcomes:</p> <ul style="list-style-type: none"> > Achieve a 10% vacancy rate; > Reduction in the use of locums, for Adult Social Care, whilst maintaining balance with permanent staffing levels in view of market testing and potential for reduction in permanent staff. > Strengthen supervision (quality and capacity) > Manageable caseloads and succession planning; <p>- Capacity of:- Children's Social Care Services to address increased</p>		

	<p>workloads strengthened. Legal Services to address statutory functions in relation to Child Care Proceedings strengthened. - Targeted social work students placements, market supplement i.e. a R&R strategy for social care staff</p>
<p>Financial Implications</p>	<p>The current Bromley maximum qualified social worker salary (incorporating additional supplementary/retention payments) is £37,344. Based on the maximum hourly rate paid by Bromley of £30.00 per hour, the annual locum rate equates to £56,310.</p> <p>For Senior Practitioners, the current maximum salary (incorporating additional supplementary/retention payments) is £42,269. Based on the maximum hourly rate paid by Bromley of £32.00 per hour, the annual locum rate equates to £60,064.</p> <p>The proposal that the current scheme be extended for the 2015/16 and 2016/17 financial years by utilising the residual funding from the LAA reward grant from the agreed recruitment and retention package for 2010/14 was agreed by PDS 21/1/2015.</p>

Risk Ref:	Department	Division	Section
ECS/HSN.0371	Education and Care Services	Housing Needs	Housing Needs
Risk / Consequences and Risk Category	Bed & Breakfast Housing client pressures and the effects of bed and breakfast accommodation. Rising use and cost of B&B. Social - Strategic (sub: Operational - Financial)		
Risk Owner	Sara Bowrey		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
3	5	High	15
Existing Controls	1. Continue to focus on preventing homelessness and diversion to alternative housing options through: -Landlord and tenancy advice and relations -Tenancy support and sustainment - resilience training -Access to employment and training -Debt, money, budgeting and welfare benefits advice, including assistance to resolve rent and mortgage arrears -Sanctuary scheme for the protection of victims of domestic violence -Assistance (including financial aid) to access the private rented sector		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
3	5	High	15
Proposed Actions	- Seeking new and alternative forms of temporary accommodation and supply		
Financial Implications	Pressures in Temporary Accommodation - Bed and Breakfast in 2016/17 are forecast to be £405k overspent. However there is funding available in the central contingency to a maximum of £1,501k and it is assumed that this will be drawn down to reduce the overspend to a net zero. Although numbers are continuing to rise with an average of 14 per month expected during the remainder of the financial year, this is assumed within the financial projections. Officers are currently modelling different scenarios to quantify the effect of possible initiatives to limit the growth. Although there is a full year effect of this overspend, this again will be dealt with through the drawdown of contingency.		

Risk Ref:	Department	Division	Section
ECS/HSN.0370	Education and Care Services	Housing Needs	Housing Needs
Risk / Consequences and Risk Category	<p>Capital Grant</p> <p>Lack of availability of external Capital Grant to deliver key housing schemes for range of client groups and corporate / portfolio plan priorities.</p> <p>Registered Providers (RPs) have advised the Council that there are a lack of available, suitable sites within the Borough on which new affordable housing schemes can be developed over the short to medium term in order to assist in meeting the Council's statutory housing and homelessness duties. This means that there will be limited bids by RPs to the Greater London Authority to access 2015-18 GLA Available Housing Funds to enable new development in Bromley.</p> <p>Financial – Operational</p>		
Risk Owner	Sara Bowrey		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
4	4	High	16
Existing Controls	1. Areas identified		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
4	3	Significant	12
Proposed Actions	- Planning to address impact		
Financial Implications	A failure to develop affordable housing schemes may lead to an increase in homelessness and increase demand for bed and breakfast accommodation.		

Risk Matrix

Appendix D

		RISK RATING				
		Medium 5	Significant 10	High 15	High 20	High 25
IMPACT	Catastrophic 5	Medium 5	Significant 10	High 15	High 20	High 25
	Major 4	Low 4	Medium 8	Significant 12	High 16	High 20
	Moderate 3	Low 3	Medium 6	Medium 9	Significant 12	High 16
	Minor 2	Low 2	Low 4	Medium 6	Medium 8	Significant 10
	Insignificant 1	Low 1	Low 2	Low 3	Low 4	Medium 5
		Remote 10 yearly 1	Unlikely 3 yearly 2	Likely Annually 3	Highly Likely Quarterly 4	Almost Certain Monthly 5
		LIKELIHOOD				

RISK RATING		SCORE
HIGH		15 to 25
SIGNIFICANT		10 to 12
MEDIUM		5 to 9
LOW		1 to 4

Recommended actions (with an overall aim of reducing the net risk rating):

- High:** Review controls and actions every month
- Significant:** Review controls and actions every 3 months
- Medium:** Review controls and actions every 6 months
- Low:** Review controls and actions at least annually

Risk Impact guidelines

APPENDIX D

Score / Risk Examples	Compliance and Regulations	Financial	Service Delivery	Reputation	Health and Safety
Insignificant 1	Minor breach of internal regulations, not reportable	Less than £50,000	Disruption to one service for a period of 1 week or less	Complaints from individuals / small groups of residents Low local coverage	Minor incident resulting in little harm
Minor 2	Minor breach of external regulations, not reportable	Between £50,000 and £100,000	Disruption to one service for a period of 2 weeks	Complaints from local stakeholders Adverse local media coverage	Minor Injury to Council employee or someone in the Council's care
Moderate 3	Breach of internal regulations leading to disciplinary action Breach of external regulations, reportable	Between £100,000 and £1,000,000	Loss of one service for between 2-4 weeks	Broader based general dissatisfaction with the running of the council Adverse national media coverage	Serious Injury to Council employee or someone in the Council's care
Major 4	Significant breach of external regulations leading to intervention or sanctions	Between £1,000,000 and £5,000,000	Loss of one or more services for a period of 1 month or more	Significant adverse national media coverage Resignation of Director(s)	Fatality to Council employee or someone in the Council's care
Catastrophic 5	Major breach leading to suspension or discontinuation of business and services	More than £5,000,000	Permanent cessation of service(s)	Persistent adverse national media coverage Resignation / removal of CEX / elected Member	Multiple fatalities to Council employees or individuals in the Council's care

SCORE	DESCRIPTION	EXPECTED FREQUENCY
1	<ul style="list-style-type: none">• Remote	<ul style="list-style-type: none">• 10-yearly
2	<ul style="list-style-type: none">• Unlikely	<ul style="list-style-type: none">• 3-yearly
3	<ul style="list-style-type: none">• Likely	<ul style="list-style-type: none">• Annually
4	<ul style="list-style-type: none">• Highly Likely	<ul style="list-style-type: none">• Quarterly
5	<ul style="list-style-type: none">• Almost Certain	<ul style="list-style-type: none">• Monthly

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Report No.
CEO 1634

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 6 July 2016**

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

Title: **ANNUAL AUDIT REPORT**

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

Chief Officer: Chief Executive

Ward: (All Wards);

1. Reason for report

The annual report of audit activity in 2015/16 is for Member information and is also intended to assist the Council in meeting the financial management and internal control requirements of the Accounts and Audit Regulations 2015. Part of the overall arrangements requires the Chief Executive and the Leader to sign an Annual Governance Statement. Included in this report are highlights of the performance of the Internal Audit function, a summary of the audits undertaken and an opinion on the overall adequacy and effectiveness of the organisation's internal control environment based on this work and the Annual Governance Statement. Members should note that those schools that are audited are now included within this report.

2. **RECOMMENDATION(S)**

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

Corporate Policy

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

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £469K including £174K fraud partnership costs
 5. Source of funding: General fund, Admin subsidy, Admin penalties, Legal cost recoveries
-

Staff

1. Number of staff (current and additional): 5.5 FTE
 2. If from existing staff resources, number of staff hours: 2015-16 -872 audit days were spent on the audit plan, fraud and investigations – includes 110 days from LB Wandsworth but excludes RB Greenwich investigators time.
-

Legal

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

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 100 including Chief Officers, Head Teachers and Governors
-

Ward Councillor Views

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

3. COMMENTARY

3.1 The annual report is for Member information and is also intended to assist the Council in meeting the financial management and internal control requirements of the Accounts and Audit Regulations 2015. Part of the overall arrangements requires the Chief Executive and the Leader to sign an Annual Governance Statement. This will be put before Members as part of the statutory accounts. Included in this report are highlights of the performance and achievements of the Internal Audit Division, a summary of the audits undertaken and associated opinions along with a statement on the overall adequacy and effectiveness of the organisation's internal control environment based on this work.

3.2 Internal Audit's main objective remains as ' -assisting management and Members in minimising risks, maintaining high standards and continuously improving service delivery through independent appraisal, review and advice.' We have carried this out in 2015/16 by;

- **independently reviewing, appraising and providing assurance** on the systems of control throughout the Authority assisted in part by LB Wandsworth
- ascertaining the **extent of compliance** with procedures, policies, regulations and legislation
- facilitating good practice in **managing risks** working with our insurers
- **working in partnership** with the external auditors and other external providers
- **identifying fraud** and carrying out investigations working in partnership with RB Greenwich
- **continuing to host the interactive web training** for officers in Financial Regulations, Contract Procedure Rules and fraud awareness. We are developing a web based interactive training packages on audit controls on key audit findings and risk management.

3.3 Key aspects of our reviews looked at the controls in place and assessed these and the associated risks to ascertain if they are being fully followed. Essentially Internal Audit has ensured that the controls operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded, completeness and accuracy of records are secured and identified weaknesses are corrected when something has gone wrong. We have also considered the balance of controls against the cost of implementation and where the controls are regarded as over burdensome this will be acknowledged

3.4 The purpose of the 2015/16 Internal Audit Plan was to:

- Optimise the use of audit resources available, given that these are significantly limited and utilise the audit services of the London Borough of Wandsworth.
- Identify the key risks facing the Council in achieving its objectives and determine the corresponding level of audit resources.
- Ensure effective audit coverage and a mechanism to provide Members, and senior managers with an overall opinion on the auditable areas and the overall control environment.
- Add value and support to senior management in providing effective control and identifying opportunities for improvement.
- Support the Director of Finance in fulfilling obligations as the Council's nominated Section 151 Officer.
- Deliver an Internal Audit service that meets the requirements of the Accounts & Audit Regulations 2015 and the Code of Practice.
- Carry out major investigative work and adopt the lessons learnt by utilising these in other audits particularly in relation to cumulative spend.

- Provide adequate assurances on our work so that our external auditors can place reliance on our work.

- 3.5 Internal Audit has striven to satisfy our customers through our business processes which make sure we have set challenging targets and standards for all audit staff through agreed objectives. We review and appraise the achievement of these objectives throughout the year. The overriding theme is the annual audit planning and work programme agreed each year. Although our aim has been to complete the 2015/16 plan, this has been subject to adjustment for unexpected levels of unplanned activity including fraud and investigative work where we have spent some 311 days. To redress some of the shortfall we have again bought in to the Internal Audit service of the London Borough of Wandsworth to carry out 9 audits from the audit plan totalling 110 days. Our assessment is that quality and delivery of the service has continued to be satisfactory. However, the funding to commission them has been deleted with effect from April 2016.
- 3.6 We have met with our new external auditors and given them access to all our published reports that are on the web.
- 3.7 Internal Audit now has 5.5 FTEs staff in post who are suitably experienced and qualified. We had appointed to one principal auditor vacancy in May 2015 and deleted a 0.5 FTE principal auditor post as well as the 0.5FTE Risk Management Officer post with effect from April 2016. In reality 5 FTEs auditors work on the plan (augmented by resources bought in from LB Wandsworth) and carry out investigations (augmented by resources bought in from RB Greenwich), with about 0.5 FTE of the Head of Audit's time dedicated to servicing this Committee and monitoring the fraud partnership.
- 3.8 Internal Audit have completed the high risk audit reviews scheduled in 2015/16 and received positive feedback from the client departments with an overall average of over 4 out of 5 for the audit satisfaction surveys. Overall, after allowing for a number of audits that were either postponed or cancelled due to management requests/ organisational change, we have completed over 90% of the plan against the annual performance indicator requirement of 90%. There remain 6 audits where work is in progress. The completion rate has been achieved despite the time spent on fraud and investigations of 311 days. Audits are completed within budgeted time unless major control issues are identified requiring additional testing. The summary of progress and other audit activity is shown in Appendix A.

3.9 Audit Activity

Please see Appendix A

Audit Activity key points in 2015/16

Planned audits- please refer to Appendix A for audits carried out in 2015/16. This constitutes our main area of activity.

Risk Management – The risk registers play a key part in the Annual Governance process - both corporate and departmental risk registers are maintained. The corporate risks as well as high and significant risks are reported through to the Audit Sub Committee as well as to the Corporate Risk Management Group and senior management.

Customer Service – We have received good customer feedback achieving an average score of over 4 out 5 in our audit surveys.

Planning - A key part of the audit planning process was consultation with senior officers, referral to previous audit reports and use of a risk methodology assessment form. This was completed for the 2015-16 Internal Audit plan.

Partnership Working – we continue to achieve closer links with other local authorities and public bodies to ensure our ability to work collaboratively. We also work with the London Audit Group and Kent Audit Group on developmental and training activities and have productive working relationships with the outgoing and incoming external auditors.

Benefits Delivered

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

Risk Management – the Council has a robust framework for identification and management of risks, reducing likelihood of failure of service delivery. This is continually reviewed through the Corporate Risk Management Group and reported to Audit Sub Committee.

Recommendations for Improvement-Agreed actions for improvement are recognised and implemented. All priority one recommendations are reported to Members and followed up.

Advice- professional advice is given on new initiatives, commissioning of services- health checks and on financial regulations, internal controls. We have continued to maintain the web based training and awareness courses in Financial Regulations, Contract Procedure Rules and the fraud toolkit.

Assurances-assurance provided to management by internal audit reviews. We also play a lead role in producing and coordinating the statutory Annual Governance Statement.

Efficiencies- our review activity enables us to offer advice to managers regarding opportunities to improve efficiency, examples include, data matching opportunities, identifying overpayments, identifying duplication and potential for better use of technology. Some of our findings have resulted in savings in costs and reclaiming of monies due.

Audit Efficiency – we will continue to streamline our own processes, for example, continue to use electronic working papers.

Fraud and Investigations- we have provided substantial input into investigations into fraud and malpractice totalling 311 days that have resulted in identifying losses, value for money issues, weaknesses in control and management shortcomings. We are also overseeing pro-active work resulting in identifying losses and making savings.

3.10 Internal Audit has provided 872 audit days in 2015-16 including fraud and investigation (963 days for 2014-15) to the departments through reviews, investigations and financial support and advice. As well as mainstream audit activity, Internal Audit has spent time investigating fraud and irregularities, managing the fraud partnership, giving advice and guidance, carrying out pre health checks on services outsourced, attendance at departmental and corporate working groups, representing the Council at external meetings, overseeing risk management, servicing this Committee, overseeing proactive exercise to identify fraud and wastage and leading and participating in data matching exercises including the National Fraud Initiative.

3.11 Below is a summary

Summary of Audit Days provided to the departments.

	2014-15	2015-16
Departments	Audit days	Audit days
Corporate Services	320	244
ECHS –Adults, Children & Public Health Services	301	219
Environment &	108	266

Community Services		
Fraud Work-General	166	143
Academies- sold services	68	0
	963	872

It should be noted that the departmental figures include 168 days spent on investigations against a total time of 301 days on fraud and investigations for 2015/16.

- 3.12 All audits arising from the approved plan have resulted in a formal report to management. Each audit has agreed terms of reference and is conducted according to the Public Sector Internal Audit Standards and Bromley's standard audit documentation guidance. Final reports are agreed with the client prior to release and are followed up systematically in the following financial year unless there are priority one recommendations which are followed up within six months. In addition, all audit reports include an opinion based on our findings. Following a decision by Members, all audit reports suitably redacted, are publicised on the internet unless exemption is sought. In 2015/16 we published 49 reports on the internet.
- 3.13 Internal Audit have reported all priority one recommendations i.e. those where there are major weaknesses resulting in losses and contract monitoring issues and therefore require urgent management attention. These reports are contained in the respective progress reports submitted to each cycle of this Committee. The number of priority ones and the nature of any fundamental areas of weakness will determine the overall opinion given.
- 3.14 Over 2015/16 we issued 28 new priority one recommendations – 22 were in relation to investigations of which 19 were reported in the part 2 November 2015 cycle of this Committee (10 were outstanding at June 2016 relating to contract monitoring matters). Outside of these investigations there were 6 new priority one recommendations raised in respect of: Domiciliary Care (2 priority one still outstanding at March 2016); Transition Team (1 priority one outstanding at June 2016); Extra Care Housing (1 priority one outstanding at June 2016); a primary school (1 priority one- the schools has converted to academy status and this recommendation may be followed up by the Schools Finance Team); and Penalty Charge Notices audit for 2015/16 (1 priority one recommendation which is currently being actioned for implementation). Finally there were 2 re-recommendations following full audits- creditors (1 priority one recommendation outstanding at June 2016); and Temporary Accommodation Rent Arrears (1 priority one recommendation outstanding at June 2016).
- 3.15 There are priority one recommendations brought forward from 2014/15 that are either considered to be outstanding or implemented: Family Placements (8 priority ones all implemented at March 2016); Review of Essential Car Users (3 priority one all implemented at March 2016); Leaving Care (9 priority ones all of which were implemented at June 2016); Creditors (1 priority one outstanding at March 2016); Insurance (1 priority one which was implemented at March 2016); Building Maintenance (1 priority one priority one which was implemented at March 2016); Fixed Penalty Notices (5 priority ones all of which were implemented at June 2016); Emergency Accommodation & Rent Accounts (1 priority one outstanding at March 2016); The current priority one list is attached to the Progress Report elsewhere on this agenda. See Appendix B for a summary of Priority 1 activity in 2015-16.
- 3.16 As in previous years we have adopted a similar approach issuing assurances for our audits. Following an Internal Audit review and after consultation with management, auditors form an overall opinion on the extent that actual controls in existence provide reasonable assurance that significant risks are being managed. They grade the control system accordingly. Full assurance of internal control systems is rare, because no matter how sophisticated or robust they are, it

will not be possible to prevent or detect all errors or irregularities. The opinions given are graded accordingly in the table below.

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

3.17 The summary of audit work undertaken resulted in 75 reports including schools; however some of these reports are in draft awaiting finalisation. Of the completed audits 43 were classified with substantial assurance, 12 with limited assurances and none with nil assurance issued in the year. The remainder were follow up reports, investigation reports, pre academy school closure audits and work in progress audits where we do not give an opinion. Overall 286 improvement recommendations were made in the year comprising of 30 priority ones of which 28 were new and 2 were re-recommendations following audits, 211 priority twos and 44 priority threes. 59 recommendations are in respect of schools. See Appendix B for all 2015-16 audit activity that includes a summary of numbers of priority one, two and three recommendations on audit reports.

3.18 Schools

3.19 Internal Audit has visited 11 Bromley maintained schools in 2015-16, including 1 secondary school, 2 special schools and 8 primary schools. The Internal Audit programme reviewed controls around processes categorised as Governance Arrangements, Financial Management Information, Primary Accounting Documentation (the tests in this area include payments, income, payroll and school meals) and Assets.

3.20 Recommendations made at several schools this year, related to maintaining and reporting the contract register, completeness and certification of information held on the asset register, orders raised as expenditure is committed, expenditure and any variations to order to be adequately supported by documentation held at the school. A Priority 1 recommendation was raised for a primary school with regard to cash handling and management of the safe, accountability and security. There were also recommendations made for benchmarking, cash flow statements, lettings, scheme of delegation, purchase cards and declaration of interest forms. The schedule in paragraph 3.33 gives a breakdown of type of recommendations made in respect of our school audits.

3.21 There were follow up reviews for 4 schools that had been audited in 2014/15; of the 22 recommendations raised 21 were fully implemented and 1 partially implemented. For one

primary school, 6 new recommendations were raised when follow up testing identified issues relating to the IT contract; the award, monitoring, transparency, cumulative spend, disaster recovery and declaration of interest. Liberata had carried out an audit review in 2014/15, at the request of the Headteacher, identifying 11 areas of improvement. It was agreed that Internal Audit would carry out the follow up at this school, reporting that 7 of the 11 areas identified were considered outstanding and therefore raised as recommendations.

3.22 In addition to the planned school audits, Internal Audit have continued to support Bromley maintained schools, attending the finance officers' forum in October 2015, working with HR colleagues to issue HMRC guidance and responding to ad hoc requests for advice during the year.

3.23 Public Sector Internal Audit Standards -Peer review

3.24 We had previously reported to this Committee that the Public Sector Internal Audit Standards (PSIAS) which came in to effect in April 2013 requires an external assessment of the service every 5 years. Rather than employ a firm of accountants/auditors, the Society of London Treasurers felt that it would be more cost effective and useful if there was a London wide forum to undertake this task. Consequently we have joined a London wide external assessment group to undertake this assessment which was completed by the Head of Audit, Haringey in mid-March 2016 and the report received in April 2016. There are four possible outcomes from the review – 'Fully Conforms'; 'Generally Conforms'; 'Partially Conforms'; and 'Does not Conform'.

3.25 The outcome of the assessment is that we have been rated as 'Generally Conforms'. Generally Conforms means the reviewer has concluded that the relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects. For the sections and sub-sections, this means that there is general conformance to a majority of the individual statements of good practice, and at least partial conformance to the others, within the sub-section. As indicated above, general conformance does not require complete/perfect conformance.

3.26 The assessment covers four areas as indicated in Appendix C- Purpose and Positioning- does Internal Audit have the appropriate status, clarity of role and independence to fulfil its professional remit; Structure and Resources- does Internal Audit have the appropriate structure and resources to effectively deliver the internal audit remit; Audit Execution- does Internal Audit have the processes to deliver an effective and efficient internal audit service; and Impact of Internal Audit on the governance, risk and control environment of the organisation. A few recommendations have been made including a need to update the Internal Audit Charter which is elsewhere on this agenda.

3.27 Annual Governance Statement

3.28 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process which is designed to identify and prioritise the risks to the achievement of Bromley's policies, aims and objectives. It also evaluates the likelihood of those risks being realised and the impact should they be realised as well as managing them efficiently, effectively and economically. The main Internal Audit issues in 2014/15 related to supervisory/monitoring issues; no/obsolete procedures; lack of supporting documents; and breach of Financial Regulations. The main Internal Audit issues in 2015/16 related to breach of contract /SLAs and Supervisory/Monitoring controls (26% of the total recommendations), none or obsolete procedures (8% of the total recommendations), lack of supporting documents (14% of the total recommendations) and Insufficient accounting records (17% of the total recommendations)

including schools). The severity of each of these needs to be seen in the context of whether it was a priority one, two or three recommendation but it does give a broad picture of where improvements can be made. However, given the high percentage of recommendations on breach of contract/SLA/supervisory/monitoring controls that is contract related, the Internal Audit plan for 2016/17 agreed by this Committee at the previous cycle does allocate more audit days to reviewing contract monitoring controls.

3.29 The scope of internal control spans the whole range of the Council's activities, encompassing policies, processes, tasks, behaviours and other aspects of the organisation. It is the means devised by management to promote, direct, restrain and check upon its various activities to ensure the Council is competently managed and its business is undertaken in an orderly manner in accordance with its objectives and policies. As part of the AGS process, each Chief Officer reviews the effectiveness of the system of internal control and risk management processes based on a list of key controls expected to be in place. Where measures are required to enhance the adequacy of existing internal controls actions are agreed. This exercise is coordinated by the Corporate Risk Management Group that meets three times a year prior to the meeting of this Committee.

3.30 In conclusion, the Head of Audit's overall opinion on the control environment based on the internal testing and reviews undertaken is that there is overall reliance on the internal controls identified and where there have been significant issues highlighted provide assurance that corrective management action has been or will be taken to mitigate the risks. Over the past year there have been audits and investigations that highlighted a number of weaknesses in the areas of supervision/monitoring, document control and updated procedures. Some of these weaknesses have resulted in priority one recommendations. The Head of Audit can confirm that adequate action plans have been agreed for all areas of identified weaknesses and Internal Audit will continue to apply close scrutiny to ensure that all current priority control weaknesses are addressed by management. This assurance process constitutes part of the Annual Governance Statement which is attached to this report.

3.31 In summary the process (as adopted in the previous year) used for determining the Annual Governance Statement follows proper practice as guided by CIPFA and is a combination of assurances derived from:

- The adequacy and effectiveness of the management review processes (Annual Governance Statement Checklist);
- Outcomes from the formal risk assessment and evaluation (risk register);
- Signed assurance statements by senior management;
- Relevant self-assessments of key service areas within the directorate;
- Internal audit reports and results from follow ups regarding implementation of recommendations;
- Executive and Resources PDS Committee Annual Report;
- Outcomes from reviews of services by other bodies including Inspectorates, external auditors etc.

3.32 The Annual Governance Statement is attached as Appendix D.

3.33 **Classification of Recommendations**

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

- Organisational – the controls that provide the framework under which the system of other controls can operate effectively and efficiently.

- Financial – the system of controls that ensures the accuracy and adequacy of financial data and safeguards the organisation against possible loss due to fraud or error.
- Operational – the system of controls that ensures the efficiency and effectiveness of operations, ensures the organisation’s objectives are met (and services delivered) and also safeguards the organisation against any reputational damage or other loss.
- Compliance controls – the system of controls that ensures that the organisation complies with all relevant legislation, best practice guidance and internal policies with respect to the conduct of the business.

3.35 Recommendations by Category

Recommendation Category	% of all recommendations		
	2013-14	2014-15	2015-16
Access Control Issue	0%	0.5%	2%
Authorisation Issue	7%	6%	4%
Breach of Contract/SLA	6%	6%	9%
Breach of Financial Regulations or Procedures	3%	9%	5%
Data quality issue	4%	2%	1%
Inefficiency issue	2%	5%	4%
Insufficient Accounting Records	7%	6.5%	8%
Insufficient Resources Issue	0%	1%	1%
Lack of segregation of duties	2%	0%	0%
Lack of Supporting Documents	12%	9%	14%
None or obsolete procedures	16%	15%	8%
Personnel Issue	1%	1%	0%
Physical Security Issue	3%	2%	0%
Supervisory/Monitor issue	27%	24%	17%
Service Specific Targets not met	1%	2%	6%
SCH Asset Control	1%	1%	3%
SCH Fin Management Info	4%	4%	4%
SCH Governance Arrangements	1%	2%	5%
SCH Primary Accounting Docs	3%	4%	9%

3.36 The above table is reflected as a pie chart on the next page.

3.37 The main categories of the findings are expanded upon below:

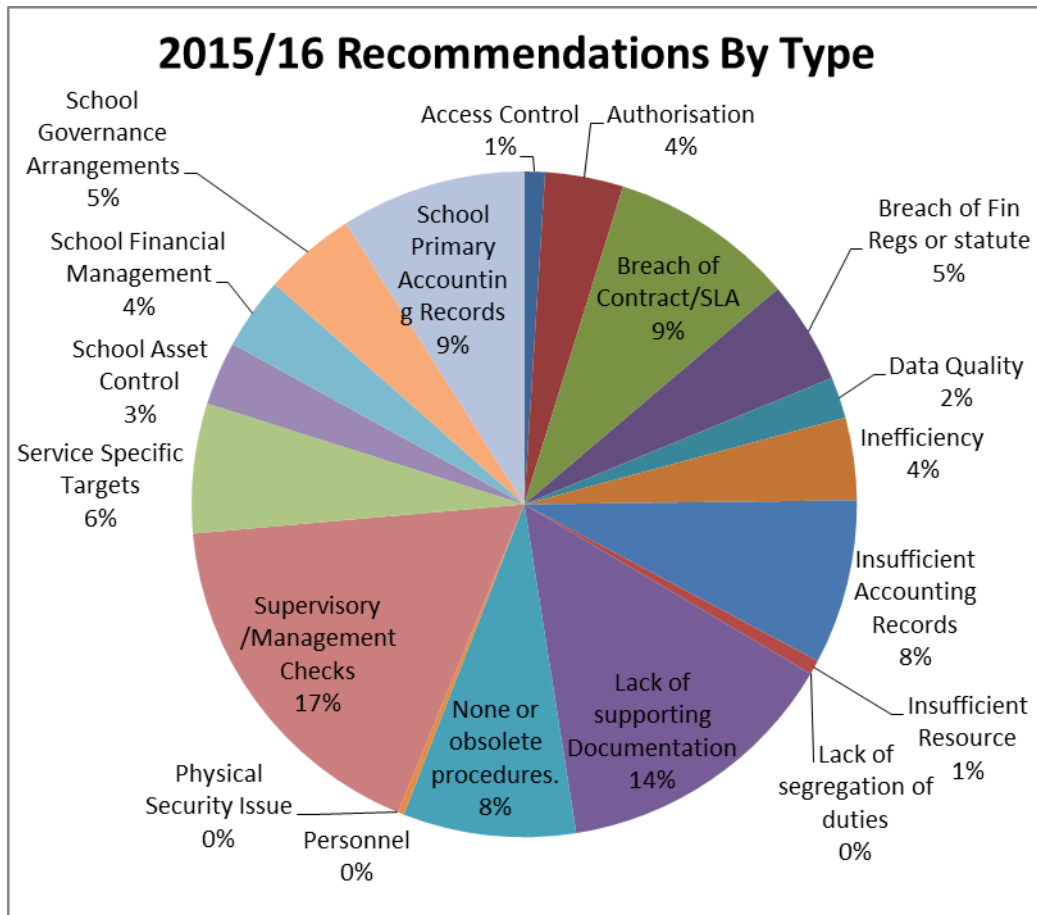
3.38 Insufficient accounting records –recommendations have been raised in a number of instances on a failure to raise orders that can result in commitments not being shown on budgets.

3.39 Lack of supporting documents –which is a breach of Financial Regulations or Contract Procedure Rules.

3.40 Breach of Contract/SLA/Supervisory/Monitoring –the increase in the number of recommendations made for this category probably correlates to a reduction in staffing resources where there are fewer officers in post to fulfil these tasks. This is an increasing problem as more services are being commissioned and resources are decreasing.

3.41 None or obsolete procedures- this has could be caused by lack of resources to undertake updates as well as the changing nature of the organisation.

3.42 Lack of supporting documents- documents that were not available at the time of the audits. This could be caused by the physical movement of staff, lack of understanding on how long records should be kept and also documents that have been mislaid, misfiled or not filed.



4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

Some of the internal audit findings may have financial implications.

6. LEGAL IMPLICATIONS

Internal Audit is a statutory function under the requirements of the Accounts and Audit Regulations 2015.

7. PERSONNEL IMPLICATIONS

None

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

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AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
Chief Executives Department								
Liberata Contract Audit for 2015-16	Test key controls in place for contract monitoring, payments made and the tendering process.	10	Limited Assurance	Final Report Issued.	Planned		8	1
Leavers Follow Up Audit for 2015-16		2	Follow-up	Work in progress included in 2015/16 payroll audit currently in progress	Planned			
Freedom Pass Pro-Active Exercise for 2015-16			Not Applicable	Update to Audit Sub Cttee April 2016	Unplanned -			
Internet Usage Audit for 2015-16	As per members request, a review of policies, usage and security compliance for staff and members	5	Not Yet Entered	C/fwd to 2016/17 Internal Audit plan	Planned			
Commissioning - Client Monitoring Audit for 2015-16	A review of recent contracted out services including the client monitoring arrangements, IT arrangements and reporting	15	Not Applicable	Various Audit Reports on client monitoring - Audit Sub June 2015, Dec 2015 and April 2016	Planned			
Governance Arrangements Audit for 2015-16	Work required for input into Annual Governance Statement.	5	Not Applicable	Outcome in Annual Audit report to Audit Sub June 2015	Planned			
S.106 Agreements Audit for 2015-16	Review of arrangements for the collection and expenditure of S.106 money and monitoring of agreements.	10	Substantial Assurance	Final Reprt Issued	Planned		2	1
Proactive Declaration of Interests Exercise Audit for 2015-6			Not Applicable	Work in Progress- update to Audit Sub Dec 2015 & April 2016	Unplanned			
UNIFORM Audit for 2015-16	A review of the system usage and its reconciliation to financial systems.	5	Not Yet Entered	C/fwd to 2016/17 Internal Audit Plan	Planned			

AUDIT PROGRESS AGAINST THE AUDIT PLAN 2015-16 AND OTHER ACIVITY APRIL 2015 TO SEPTEMBER 2015

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AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
Data Security Audit for 2015-16	A review of data security regarding arrangements in place to mitigate data loss, including how data is shared with 3rd parties. Management request to put back	10	Not Yet Entered	C/fwd to 2016/17 Internal Audit Plan- at the request of management	Planned			
IT Licenses - Assets Follow Up 2015-16		2	Follow-up	Final Report issued.	Planned			1
CONFIRM Audit for 2014-15 b/f	To test the authorisation controls within the system and accuracy of information held.		Substantial Assurance	Draft Report issued	B/F last year			6
Election Expenses Audit for 2015-16	Review of 2014 local election expenses.	5	Not Yet Entered	C/fwd to 2016/17 Internal Audit Plan at the request of management	Planned			
Council Tax Audit for 2015-6	Collection/Recovery methods, including provision for Bankruptcy and key controls. Also to test a sample of local council tax support payments, SPD and accounts in arrears.	15	Substantial Assurance	Final Report issued	Planned			3
Creditors Audit for 2015-16	Annual review of creditors. To include testing key controls around reconciliations, correct postings and purchase orders being correctly raised. Check duplicate payments not being made and petty cash transactions.	20	Not Yet Entered	Work in progress	Planned			
Creditors Audit for 2014-15 b/f			Limited Assurance	Final Report issued	B/F last year	1	6	2
Housing Benefits Audit for 2014-15 b/f			Limited Assurance	Final Report issued	B/F last year		7	1
Housing Benefit Audit for 2015-16	Audit to cover key controls, overpayments, transfer of the fraud service. Review housing discretionary fund and those not constrained by bedroom tax.	15	Substantial Assurance	Final Report issued	Planned		2	

AUDIT PROGRESS AGAINST THE AUDIT PLAN 2015-16 AND OTHER ACIVITY APRIL 2015 TO SEPTEMBER 2015

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AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
NNDR Audit for 2015-16	Coverage of key controls, and arrangements for billing, valuation, changes to reliefs and recovery and enforcement.	10	Substantial Assurance	Final Report issued	Planned		1	1
Cash & Banking Audit for 2015-6	To include coverage of the new kiosks at Penge Library, cash receipting and parking cash collection.	10	Substantial Assurance	Final Report issued	Planned		3	1
CX/065/01/2015 - Pensions Audit for 2015-16	Coverage of key controls of reconciliations and performance; Controls around pensions control account.	10	Substantial Assurance	Final Report issued	Planned		1	1
Payroll Audit for 2014-15 b/f	Coverage of key controls, starters, payments, deductions and variation to pay.		Substantial Assurance	Final Report Issued	B/F last year		5	1
Payroll Expenses Audit for 2015-16	Coverage of key controls, starters, payments, deductions and variations to pay.	15	Not Yet Entered	Work in progress	Planned			
Debtors-Income Audit for 2014-15 b/f			Limited Assurance	Final Report Issued	B/F last year		10	3
Debtors - Income Audit for 2015-16	To cover reconciliations, postings, debt recovery and long term arrears, credit notes and write offs. To test controls around self service invoices and consistency of write offs.	20	Limited Assurance	Final Report issued	Planned		6	1
ECHS Income (Debtors & Rent Arrears) Audit for 2015-16	Review the application of the ECHS charging policy. Sample ECHS debt and review the procedures to recover.	10	Not Applicable	Included in the Debtors report that has been finalised. Rent Arrears has been covered in the Temporary Accommodation audit. Update on rent arrears P1 to Audit Sub Cttee -all cycles for past four years.	Planned			
Treasury Management Audit for 2014-15 b/f			Substantial Assurance	Final Report Issued	B/F last year		1	

AUDIT PROGRESS AGAINST THE AUDIT PLAN 2015-16 AND OTHER ACIVITY APRIL 2015 TO SEPTEMBER 2015

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AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
Treasury Management Audit for 2015-16	To cover key controls of investment, register of loans and investments, review compliance with investment limits and investment policy. Also to check controls around making and receiving investments.	10	Substantial Assurance	Final Report issued	Planned			1
Main A-C System Audit for 2014-15 b/f			Substantial Assurance	Final Report Issued	B/F last year			3
Main A-C System & Revenue Budgetary Control Audit for 2015-6	To test key controls, authorisation of budget monitoring, budget setting and accuracy of budget monitoring information and controls around financial administration.	15	Not Yet Entered	Work in progress	Planned			
Capital Budget Follow Up Audit for 2015-6		2	Follow-up	Final Report issued	Planned			1
VAT Audit for 2014-15 b/f			Substantial Assurance	Final Report issued	B/F last year			2 1
VAT Follow Up Audit for 2015		2	Follow-up	Final Report issued	Planned			
Insurance Audit for 2015-16	Review of current arrangements of service that is now managed by RB Greenwich.		Substantial Assurance	Draft Report issued	Planned			5
AR Recovery Of Funds 2015-16			Not Applicable	Final position reported to Audit Sub Cttee April 2016	B/F last year			
Capital Schemes Audit for 2014-15 b/f			Substantial Assurance	Final Report issued	Planned			5
Essential Car Users Follow Up Audit for 2015-6		2	Follow-up	All P1s implemented & reported to Audit Sub Cttee Dec 2015. No recommendations	Planned			
Adecco Follow Up Audit for 2015-6		2	Follow-up	Final Report issued	Planned			
Merit Pay Follow Up Audit for 2015-16		2	Follow-up	No recommendation made	Planned			
Merit Pay - PRP Audit for 2014-15 b/f	To test compliance and fairness of criteria for making payments to staff.		Substantial Assurance	Final Report issued. No recommendation made	B/F last year			

AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
Legal Costs Audit for 2015-16	A review of counsel expenditure and the collection of legal income.	10	Substantial Assurance	Final Report issued	Planned		5	1
Procurement Audit for 2015-16	A review of non commissioned services and Gateway reviews.	10	Not Yet Entered	Time taken to carry out investigation in to Stray Dogs contract. Update Audit Sub Dec 2015 & April 2016	Planned			
Purchasing Card Follow Up Audit for 2015-16		2	Follow-up	Final Report issued	Planned		2	
Gifts & Hospitality FollowUp Audit for 2014-15 b/f			Follow-up	Final report issued.No recomndations				
IT Procurement Follow Up Audit for 2015-16			Follow-up	Not followed up	Planned			
Property Management Follow Up of 2014-5 audit (no follow up in 2015/16)		2	Follow-up	Not followed up as main audit was finalised in Sept 2015.	Planned			
Property Management Audit for 2014-15 b/f			Substantial Assurance	Final Report Issued	Planned		2	1
Commercial Property Rents Audit for 2014-15 b/f	To review systems/processes in place to recover rents/ensure tenancies are in place/renewals of tenancies.		Substantial Assurance	Final Report Issued	B/F last year		1	1
Building Maintenance Audit for 2014-15 b/f	Cover procedures for staff and public and contractors reporting defects as well as annual inspection.		Substantial Assurance	Final Report issued	B/F last year		2	
Welfare Fund Audit for 2014-15 b/f	To test a sample of transactions and any overpayments that have been made.		Substantial Assurance	Final Report issued	Planned		1	

Education, Care & Health Services Department

Appointeeship & Deputyship Follow Up Audit for 2014-15 b/f			Follow-up	Final Report issued	B/F last year		2	
Children with Disabilities Audit for 2014-15 b/f			Substantial Assurance	Final Report issued	B/f last year		2	2
Children with Mental Health Audit for 2015-16	Review the system to assess, monitor and review children with mental health. Include payments to providers.	10	Not Yet Entered	Caried forward to 2016/17	Planned			

AUDIT PROGRESS AGAINST THE AUDIT PLAN 2015-16 AND OTHER ACIVITY APRIL 2015 TO SEPTEMBER 2015

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AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
Ordinary Residence Audit for 2015-16	Review the policy for ordinary residence claims and check adherence to agreed procedures.	5	Allocated to LB Wandsworth	Work in progress- incorporated within the ongoing Learning	Planned			
No Recourse To Public Funds for 2015-16	Review the system to identify and manage NRPf cases; include social care payments for rent and update on the counter fraud initiative lead by Lewisham.	10	Not applicable	Time taken to assist pro active cross London initiative .Update Audit Sub Dec 2015 & April 2016	Planned			
BSSD Audit for 2015-16	System review of BSSD, ensure that information is recorded in a timely accurate manner and in accordance with agreed procedures. Consider the impact of Impower and Care Act for the initial contact with Adult Social Care.	5	Not Yet Entered	Service was reviewed by management in qtr 3 2015/16 according to a terms of reference set by Empower and agreed by the Department	Planned			
Contracts & Commissioning for Public Health for 2015-16	5 days for agreed consultancy work.	15	Not Yet Entered	Work In Progress- report currently being drafted	Planned			
Commissioning Health Checks Audit for 2015-16	Provide advice and support to the commissioning agenda and monitor sections prior to outsourcing.	10	5 days for agreed consultancy work.	Final Report Issued- Update Audit Sub Dec 2015	Unplanned			
Financial Checklist Audit for 2015-16	Review of HIV service within Public Health with a view to design finance checks/tests to ensure compliance to financial Regulations and Contract Procedure Rules.	10	Not Yet Entered	Work In Progress- report currently being drafted	Planned			
Contracts & Commissioning Audit for Public Health for 2015-16	To review the introduction of SLA's for GP Practices and associated payment arrangements.		Substantial Assurance	Final Report issued	Planned		2	

AUDIT PROGRESS AGAINST THE AUDIT PLAN 2015-16 AND OTHER ACIVITY APRIL 2015 TO SEPTEMBER 2015

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AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
SEN Audit for 2015-16	Review the systems to record, monitor and review SEN cases, including payments to external providers. Review the issues raised from the SEN investigation conducted during 2014-15. Review the system to track and monitor EHC Plans.	20	Not Yet Entered	Work in progress	Planned			
Care Act Audit 2015-16	Significant policy changes to impact on the service. Audit time to be allocated for consultation to develop systems, managing service delivery and then financial monitoring. Conduct audit testing once procedures have been implemented and operational.	20	Not Yet Entered	Not completed due to resource requirements on investigations in 2015/16. Aspects of the Care Act will be incorporated in the service audits for 2016/17.	Planned			
Choice Based Lettings Audit for 2015-16	System review of the process for on line applications. Consider the service level agreements with RSL's and controls in place to mitigate the risk of fraud.	5	Not Yet Entered	Management request to delay the audit due to development of a new IT system. There is ongoing audit support and advice to the Project Team.	Planned			
Direct Payments Audit for 2015-16	As the audit was not carried out in 2014/15, it will be in 2015/16.	2 plus 8 days contingency	Substantial Assurance	Final Report Issued	Planned		3	1
Domiciliary Care Audit for 2014-15 b/f			Limited Assurance	Final Report issued. Update to Audit Sub June 2015	B/F last year	2	5	1
Domiciliary Care Follow Up Audit for 2015-16		2	Follow-up	Update on P1s to Audit Sub Dec 2015 & April 2016	Planned			

AUDIT PROGRESS AGAINST THE AUDIT PLAN 2015-16 AND OTHER ACIVITY APRIL 2015 TO SEPTEMBER 2015

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AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
Transition Team Follow Up Audit for 2015-16		2	Follow-up	Final report issued- update Audit Sub Dec 2015 & April 2016	Planned	1		
Looked After Children Follow Up Audit for 2015-16		2	Follow-up	P1s implemented- update Audit Sub Dec 2015, April 2016.	Planned			
Bickley Primary School Audit for 2015-16			Substantial Assurance	Final Report issued	Planned		2	
Chelsfield Primary School Audit for 2015-16			Substantial Assurance	Final Report issued	Planned		7	
Clare House Primary Follow Up Audit for 2015-16			Follow-up	Final Report issued. All recommendations implemented.	Planned			
Dorset Road Infant School Follow Up Audit for 2015-16			Follow-up	Full audit planned for Qtr 1 in 2016/17	Planned			
Downe Primary School Audit for 2015-16			Substantial Assurance	Final Report issued	Planned		3	1
Edgebury Primary School Audit for 2015-16			Substantial Assurance	Final Report issued	Planned		4	2
Red Hill Primary School Audit for 2014-15 b/f			Substantial Assurance	Final Report issued	B/F last year		5	1
Red Hill Primary School Audit 2015-16 f/up			Follow-up	Follow/up confirmed all recommendations implemented.	Planned			
Southborough Primary School Follow Up Audit for 2015-16			Follow-up	Final Report issued. Recommendations implemented	Planned			
Worsley Bridge Junior School Follow Up Audit for 2015-16			Follow-up	School converted to Academy - closure audit completed by Schools Finance Team	Planned			
St Olaves Audit for 2015-16			Substantial Assurance	Final Report issued	Planned		5	
Marjorie McClure School Audit for 2015-16			Substantial Assurance	Final Report issued	Planned		3	3
Riverside School Audit for 2015-16			Substantial Assurance	Final Report issued	Planned		1	1
Blenheim Primary School Audit for 2015-16			Substantial Assurance	Final Report issued	Planned		4	1
Oak Lodge Primary School Audit for 2015-16			Limited Assurance	Final Report issued	Planned	1	8	
Poverest Primary School Audit for 2015-16			Substantial Assurance	Final Report issued	Planned		2	1

AUDIT PROGRESS AGAINST THE AUDIT PLAN 2015-16 AND OTHER ACIVITY APRIL 2015 TO SEPTEMBER 2015

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AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
St Anthony's RC Primary Audit for 2015-16			Substantial Assurance	Draft Report issued	Planned		4	
St George's, Bickley, CE Primary Audit for 2015-16			Not Yet Entered	C/fwd to 2016/17 Internal Audit plan	Planned			
Housing Needs Audit for 2014-15 b/f			Limited Assurance	Final Report issued	B/F last year	1	4	
Troubled Families Audit for 2015-16	Review the system for identifying and monitoring Troubled Families. Verify the annual claim for funding submitted to DCLG in line with phase two criteria.	10	Substantial Assurance	Final Report issued	Planned		3	3
Adult Education College Audit for 2015-16	Annual probity audit.	5	Substantial Assurance	Final Report issued. No recommendation made	Planned			
Central Placement Team Audit for 2015-16	Review the systems for the Central Placement Team, referrals, commissioning services, placements and payments. Consider the accuracy of information held on the management information system. Include residential and emergency placements for adult and children's services.	20	Not Yet Entered	C/fwd to 2016/17 Internal Audit plan	Planned			
Carefirst System Audit for 2015-16	To test the accuracy and completeness of information held, charges being raised and adequacy of access controls.	10	Not Yet Entered	C/fwd to 2016/17 Internal Audit plan	Planned			
Bromley Children Project Audit for 2015-16	Review the systems for assessing and monitoring BCP users, including expenditure controls and income collection.	10	Not Yet Entered	C/fwd to 2016/17 Internal Audit plan	Planned			

AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
Family Placements Follow Up Audit 2015-16	Follow up of priority one recommendations	4	Follow-up	Final Report Issued. All 8 P1s re recommended (report to Audit Sub Committee Dec15; and followed up again when they were found to be all implemented-report to Audit Sub April 2016	Planned			
Leaving Care Follow Up Audit for 2015-16	Follow up of priority one recommendations	4	Follow-up	Final Report Issued. Report to Audit Sub Cttee re P1 follow ups- Dec 15 & April 2016. Dec15- P1's re recommended and followed up in March 2916 where 7 P1s were implemented & 1 o/s.	Planned			
Childrens With Disabilities Audit for 2014-55 B/fwd			Substantial Assurance	Final Report issued.	Planned			
SERCOPS Audit for 2015-16	Review of controls in place to ensure clients are set up with the correct codes according to regulations.	5	Not Yet Entered	Audit will not take place- resolved by management- no reported issues	Planned			
Carelink Audit for 2015-16	Review the system to assess, monitor and review clients, apply agreed charges and collect income. Review the inventory and maintenance programme including use of external contractors. Verify compliance to VAT requirements.	5	Not Yet Entered	C/fwd to 2016/17 Internal Audit plan	Planned			

AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
Extra Care Housing Audit for 2015-16	To conduct establishment visits at the in house ECH units. Consider procedures and costs in line with the ECH units managed by external provider.	5	Substantial Assurance	Final Report issued. 1 P1 reported to Audit Sub Cttee April 2016	Planned	1	3	
Hospital Team Audit for 2015-16	Review the referral and assessment for clients allocated to the hospital team. Ensure that all procedures are actioned in a timely manner and information is complete and accurate. Consider any charges incurred for delayed discharge.	5	Not applicable	Audit was not completed due to diversion of audit resources to investigations.	Planned			
Temporary Accomodation Audit for 2015-16	Review the Orchard and Shipman scheme operating at Belle Grove and rent accounts.	12	Limited Assurance	Final Report issued. 3 P1s Report to Audit Sub Dec 2015 & April 2016	Planned	3	5	1
Learning Disabilities Audit for 2015-16	Review the system for referral, assessment and review of service agreements. Consider contractual arrangements with external providers including placements.	10	Allocated to LB Wandsworth	Work in progress	Planned			
Youth Offending Team Audit for 2015-16	Review the systems operating for the YOT, including expenditure controls, contract and budget monitoring.	10	Limited Assurance	Final Report issued	Planned		10	
Day Centre Pre Health Check	Review key areas prior to transfer		Not Applicable	Final Report issued. 3P1s reported to Audit Sub Dec15 & April 16.	Unplanned	3		
Investigation -Manorfields	Review the overspend, tendering processes and use of O& S arrangements for refurbishment works		Not Applicable	Initial update to Audit Sub Cttee in April 2016. Full report in July 2016.	Unplanned	2	3	

AUDIT PROGRESS AGAINST THE AUDIT PLAN 2015-16 AND OTHER ACIVITY APRIL 2015 TO SEPTEMBER 2015

Appendix A

AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
Pool Cars & Fuel Cards Follow Up Audit for 2015-16		1	Follow-up	Final Report Issued.No recommendation made.	Planned			
Libraries Audit for 2015-16	Audit review of stock and income controls and following up recommendations.	5	Substantial Assurance	Final Report Issued	Planned		2	1
Crystal Palace Grant Application Audit for 2015-6	Raising concerns referral		Not Yet Entered	Time taken up a by an investigation in this area	Planned			
Investigation Crystal Palace Contracts	Raising concerns referral		Not applicable	Final Report	Unplanned	1	5	
Environment Protection	Management request	5	Not Yet Entered	Time taken up a by an investigation in this area.Reported to Audit Sub Cttee Dec 2015 & April 2016.	Planned			
ECS Grants Audit for 2015-16	Review of grants issued under ECS	5	Not applicable	Verification work on flood grant.	Planned			
DFG Investigation 2014-15 b/f	Raising concerns referral		Not applicable	Final report issued -P1 reported to Audit Sub Dec 2015 & April 2016	B/F last year	1	5	1
Coroner & Mortuary Service Audit for 2014-15	Follow up of contractual costs and payments.		Follow up	C/fwd to 2016/17 due to resources being used on investigations	B/F last year			
Parks and Green Spaces Audit for 2014-15 b/f	Follow-up of previous audit recommendations and review aboriculture services	5	Substantial Assurance	Final Report Issued	B/F last year		5	
Parks and Greenspace Follow Up Audit for 2015-16	Follow-up of previous audit recommendations and review of new client side commissioning arrangements.		Follow-up	Follow up in 2016/17	Planned			
Car Parking - Income-Multi-Storey and On Street Audit for 2014-15 b/f. Also includes 2015-16 car parking income	Review and follow-up including key control of reconciliation. Review shared service arrangements as lead authority.	10	2014/15 Completed - Substantial Assurance. 2015/16 Draft Report - Substantial assurance	Final Report for 2014/15. Final Report 2015/16	B/F last year and planned 2015-16		2	2

AUDIT PROGRESS AGAINST THE AUDIT PLAN 2015-16 AND OTHER ACIVITY APRIL 2015 TO SEPTEMBER 2015

Appendix A

AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
PCN Audit for 2015-16	Review and follow-up including key control of reconciliation. Undertake joint review as lead authority. Review any future contractual arrangements for Parking Services.	15	Limited Assurance	Final Report	Planned	1	1	3
PCN Investigation Follow Up Audit for 2015-6			Not Applicable	To be included as part of the ongoing PCN audit. Outcome will be reported to Audit Sub Cttee in July 2016.	Planned			
FPN Audit for 2015-16	Follow up of investigation recommendations; assist mangement in any claim from previous contractor; brief review of current contract.	5	Not Yet Entered	P1s implemented update to Audit Sub Dec 2015, April 2016 & July 2016,	Planned			
Street Lighting (Invest To Save) Follow Up Audit for 2015-6		1	Not Yet Entered	Not Progressed C/fwd 2016/17	Planned			
Street Cleansing Follow Up Audit for 2015-6		2	Follow-up	Not Progressed C/fwd 2016/17	Planned			
Highways Maintenance Audit for 2015-16	Review of commissioning arrangements -to be discussed with management.	10	Not Yet Entered	Time allocated to current investigation, Report to Audit Sub Cttee April 2016	Unplanned			
Waste Services Audit for 2015-16	Review of garden waste and client monitoring role.	10	Limited Assurance	Final report issued. Update to Audit Sub Dec 2015 & April 2016	Planned	2	2	
Waste Management Audit b/f 2014-15			Substantial Assurance	Final Report issued	B/F last year		4	1
Stray Dogs Contract Review for 2015-16	Investigation		Investigation	Final Report Issued. Detailed report to Audit Sub Dec 2015 & April 2016.	Unplanned	9		
CCTV	Review-management request		Investigation	Final Report. Update to Audit Sub Dec 2015 & April 2016.P1 recommendation implemented.	Unplanned	1	5	1

AUDIT PROGRESS AGAINST THE AUDIT PLAN 2015-16 AND OTHER ACIVITY APRIL 2015 TO SEPTEMBER 2015

Appendix A

AUDIT PROGRESS APRIL 2015 -MARCH 2016

Audit	Audit Objective	Days	Overall Opinion	System Status	Activity Status	P1	P2	P3
Planning Audit for 2014-15 b/f	Audit will cover enforcement arrangements - deferred until 2014/15		Substantial Assurance	Final Report issued	B/F last year		2	1
Totals						30	212	44

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
ACS/068/01/2011	Emergency Accommodation & Rent Accounts	Limited Assurance	1 (Nov 2012)	<p>Service Teams, including LATCH, Leaving Care Services, Core and Cluster (now Supported Living), Traveller and Orchard and Shipman are not recovering rent arrears or monitoring the debts of their clients, which on 10/2/12 gave an accumulative total of £533,753.50 in these groups. Teams do not currently have access to the accounting files on Anite.</p> <p>In addition, these teams do not hold detailed procedures to outline the process for the recovery of debts.</p> <p>The previous audit also highlighted problems with rent arrears in emergency accommodation. Total rent arrears for current and former clients stands at £1,266,528 compared to £1,268,466 in January 2012. (Nov 2012)</p>	In progress	Exchequer Manager/Liberata Sundry Debtors Section Manager/Group Manager Leaving Care Team/Group Manager Residential Services/Group Manager Housing Needs	<p>The priority one finding on rent arrears was made in 2011-12. A recent audit concluded that this recommendation has not been implemented. The current stated rent arrears is in total £3,571,107 for both current and former clients. Specifically procedures are not sufficient to recover former B&B and Travellers client's arrears and those for current and former Leaving Care, Orchard and Shipman and CCLU clients. Procedures are in place for the recovery of B&B rent arrears and have recently been created for Travellers. However it is apparent that limited action has been taken to recover arrears from former tenants. The arrears figures for B&B clients have increased to £2million on 10/01/15 and for non B&B clients the increase to £1.5 million in December 2014. This is in part due to a delay in reconciling Orchard and Shipman rent received. This report has not covered the Orchard and Shipman element of balances held and is subject to a separate ongoing audit in quarter 1 of 2015/16. It was also noted that arrears identified for write off have not been actioned which distorts the figures quoted in this report. £188k was written off in March 2015. Therefore the recommendation relating to rent arrears is still outstanding. (Jun 2015)</p> <p>Action has been taken to rectify these findings and at October 2015, the rent arrears have decreased to £3.58 million, with 953 number of clients. Write offs were actioned and the reconciliation with Orchard and Shipman is underway (as identified in the Audit of Orchard and Shipman) that could further reduce the arrears figure. There remains a high level of uncollected rent and therefore this recommendation remains outstanding. (April Nov 2015)</p> <p>Continued below:</p>	High
							Continued: At March 2016 the total number of people in TA is now 1074 and the level of rent arrears is £3.87 million. Reconciliations have begun with Orchard and Shipman, though have not been completed. This is expected to be completed by financial year end. (Apr 2016)	
RD/018/01/2013 (Finance)	Insurance Investigation	N/A	11 (Nov 2013) 4 o/s (Jun 2014) 2 o/s (Nov 2014) 1 o/s (Mar 2015)	<p>Part 2 - 7 of the 11 priority one recommendations have been implemented (Jun 2014)</p> <p>Part 2 - 9 of the 11 priority one recommendations have been implemented (Nov 2014)</p> <p>Part 2 - 10 of the 11 priority one recommendations have been implemented (Mar 2015)</p>	IMPLEMENTED	Director Of Finance	All priority ones implemented (Jun 2015)	High
R&G/02/01/2012 (Corporate Services)	Building Maintenance	Limited Assurance	1 (Nov 2013)	<p>The department must comply with the requirement 1.2 and 8.1.3 of the Contract Procedure Rules.</p> <ul style="list-style-type: none"> • "Officers shall not sub divide work which could reasonably be treated as a single contract." • "The total estimated value of orders for a given type of goods, services or works should where ever practicable be amalgamated for the purpose of determining procurement procedures." <p>They should review the practices and procedures to identify cumulative spend with individual suppliers. Where spend exceeds limits indicated in Contract Procedure Rules quotes or tenders should be sought.</p>	IMPLEMENTED	Head of Operational Property	Priority one implemented (Jun 2015)	High

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
CEXFin/009/2013	Creditors	Limited Assurance in the area of orders not being raised	1 (Jun 2014)	5/27 payments sampled (excludes Confirm payments from the sample of 35) had orders raised on the same day as or after the invoice date. A 'retrospective purchase order' report was run in May 2013. This showed 4,788 retrospective purchase orders had been made in the period 30/01/13 to 30/05/13, with 68% of these attributed to 30 officers. However further examination of this report identified duplicated purchase order lines therefore producing inaccurate results with the actual total of 3,290 retrospective order being raised during the period. This would reflect new results to identify areas of concern. (Jun 2014)	In progress	Exchequer Manager/All budget holders	<p>The original Internal Audit report identified that there was a significant number of orders that were raised retrospectively. A 'retrospective purchase order' report was run in May 2013 that showed that after adjustments there were 3,290 orders that had been made in the period 30/01/13 to 30/05/13, with two thirds of these attributed to 30 officers. Raising orders is crucial to committing expenditure for accounting purposes as well as verifying goods received to what was ordered. A recent audit has shown that there is still an issue with raising retrospective orders. For the period 01/01/14 to 31/01/15, 8,981 raised or 691 per month. The summary of results shows there has been a slight decline, but would state that the 691 per month is still too high. It was also found that 30 officers (not necessarily the same as previous) are responsible for two thirds of retrospective orders. This priority one recommendation is still outstanding. (Jun 2015)</p> <p>The latest follow up showed that for the period 1/07/15 to 30/09/15 1,818 retrospective orders were raised with 64% of these relating to six areas including Housing accounting for 43% of the total. A new system for Housing is currently being tendered for that will have purchase order functionality and is expected to address this issue. It has been agreed that Chief Officers will address the problem areas that should result in a reduction of retrospective orders. The recommendation therefore remains outstanding. (Nov 2015)</p> <p>Continued below:</p>	High
							<p>Continued:</p> <p>The latest follow up covering the three month period October 2015 to December 2015 shows 2,155 retrospective orders being raised and is an increase from the previous quarter to September 2015 when 1,818 were raised retrospectively. 44% of the orders related to Housing. The new housing system will not be operational for some time but we have agreed Housing's proposal to streamline payment procedures that may reduce retrospective orders in this area. (Apr 2016)</p>	
ECHS/015/2013	Looked After Children	Limited Assurance	2 (Jun 2014)	Payment Authorisation including an overpayment to a foster parent and timely completion of assessments and reviews. (Jun 2014)	IMPLEMENTED	Head of Service C&R	All priority ones implemented (Jun 2015)	
ECH/017/01/2014	Family Placements	No Assurance	8 (Nov 2014) 6 o/s and 1 partially implemented (Jun 2015) 3 o/s and 5 partially implemented (Nov 2015)	Significant findings in relation to the following areas :-Overpayments , Savings, Legal Orders, Connected Persons Allowances, Residence Orders, Adoption Allowances, Special Guardianship Orders and Training. (Nov 2014)	IMPLEMENTED	Assistant Director, Safeguarding & Social Care.	<p>Previously agreed by management. One recommendation relating to Adoption Allowances has been implemented and one recommendation on Savings has been partially implemented. However, 6 others remain outstanding as reported within the Progress Report. There will be a full follow up audit report to the above recommendations in 2015/16. (June 2015)</p> <p>The second follow up demonstrated that slow progress has been made in implementing these 8 priority one recommendations (1 new priority one added) (Nov 2015)</p> <p>The third follow up audit review has now been completed; interviewing management and undertaking sample testing. Our findings have shown that significant improvements have been made and the team have conducted case reviews to identify and locate the supporting documentation. Audit testing identified legal orders for the sample of SGO, residence orders and kinship cases. The Head of Service confirmed that the priority 1 issues raised by Internal Audit are reviewed weekly and procedures have been put in place to ensure all officers are aware of their roles and responsibilities.</p> <p>Continued below:</p>	High

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
							Continued: The Head of Service meets bi-monthly with Finance to review the aged debtors list and to take action to recover where appropriate. Audit testing on the overpayments list did not identify any new cases with high balances since the last follow up indicating that procedures brought in by management have been effective. There was still an issue with outstanding DBS checks however it was confirmed that the delay was at stage 4, the police check and that the team had started the renewal process in a timely manner. For placements with foster carers with expired DBS, additional controls are in place i.e. a risk assessment and increased visits. It was confirmed that all identified staff within the team had completed and passed the mandatory training for Financial Regulations. The audit testing was satisfactory in all areas and allows the priority one recommendations to be progressed to implemented. (Apr 2016)	
CX/046/01/2013	Review of Essential Car Users	Limited Assurance	3 (Nov 2014) 1 o/s (Nov 2015)	1.To review lump sum payments to all non and infrequent users highlighted in the audit. 2.Ensure that officers have adequate insurance to cover business use and a valid driving licence. Officers should report any change in circumstances that prevents then driving. Recovery of overpayment to be actioned from a case identified in the audit. 3.The criteria for essential car user allowance should be reviewed as it potentially creates an anomaly for casual users who claim regular and substantial mileage. (Nov 2014)	IMPLEMENTED	Director of HR	All recommendations have been accepted by management and will be addressed as part of a review of the scheme and the criteria. Essential car user is to be phased out commencing in 2016/17 and ceasing in 2017/18. (Jun 2015) Management have stated that yearly reviews will be undertaken to ensure continued entitlement to the allowance until the scheme is phased out. (Nov 2015) All priority ones implemented. (Nov 2015)	High
ECH/018/01/2013	Review of Leaving Care (Payment to Clients)	Nil Assurance	9 (Nov 2014) 2 o/s and 6 partial (Jun 2015) 2 o/s partial (Nov 2015) 1 o/s partial (Apr 2016) implemented (June 2016)	Significant findings in relation to the following areas:- Policies and procedures, documents to support payments, authorisation of Request for Finance Forms, cash payments to bank accounts, monitoring of payments, reconciliations, pathway plans, use of the purchase card and cash security. (Nov 2014)	IMPLEMENTED	Group Manager LCT	Recommendations agreed by management (Nov 2014) A previous audit of this area resulted in a nil assurance opinion and 9 priority one recommendations were reported. The issues were in respect of the effectiveness of the overall controls for cash handling, supporting documentation, monitoring, reconciliation and review of pathway plans. At the previous meeting Members were updated on the progress made by management to implement the 9 priority one recommendations identified in the audit review. 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. (Jun 2015) 2 recommendations relating to pathway plans and purchase cards remain as partially implemented but the team have evidenced further improvement this time. Internal Audit and Finance continue to liaise with the Department to remedy the issues regarding the administration of the imprest account and this will be reviewed outside of the P1 process. (Nov 2015) Following audit testing the recommendation relating to purchase cards will remain partially implemented, although it is acknowledged that management are taking action to resolve the issues. (Apr 2016)	High

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
ECS/2014	Fixed Penalty Notices	N/A	6 (Nov 2014) 5 o/s (Mar 2015) 2 o/s (Jun 2015) 1 o/s (Nov 2015) 1 o/s partial (Apr 2016)	Part 2 - 4 have been implemented relating to attempted recovery from the contractor; reconciliation of FPN's; procedure; and availability of prime documents. 2 not implemented relating to the transfer to the PCN system and contract monitoring. (Jun 2015)	IMPLEMENTED	Asst Dir. S,S & Greenspace	Part 2 (Nov 2014) Recommendation to approach previous contractor to pursue compensation implemented - (Mar 2015) Outstanding recommendation relates to the contractual arrangements with the provider. (Nov 2015) (Part 2 Apr 2016) June 2016-outstanding recommendation implemented- see part 2	High
ECH/035/01/2014	Transition Team	Limited Assurance	1 (Mar 2015)	Direct payment service agreements were found to either be in overpayment due to the incorrect amount being being or the incorrect time periods e.g term time only. Underpayments were found due to the rates not being uplifted on review as expected or the incorrect amount being paid. (Mar 2015)	In progress	Joint Team Manager, CLDT.	To be followed up for the next meeting (Jun 2015) A new Interim Team Manager is in post and the recommendations made within the report are in the process of being actioned and overpayments are due to be clawed back. At the time of undertaking the follow up the recommendation was still to be actioned and therefore, the priority one recommendation is still outstanding. (Nov 2015) The cases identified in the audit report were followed up but action including decisions to recover or refund or write off had not been made. (Apr 2016)	High
ECH/007/01/2014	Domiciliary Care	Limited Assurance	2 (Jun 2015)	Services closed with incorrect dates or not actioned in a timely manner. Extra Care Housing -no reconciliation of actual hours provided to clients across three units. (Jun 2015)	In progress	Head of Assessment & Care Management & Strategic Commissioner Client Resources.Group Manager, Care Manager and Operational Manager.	Sample testing showed that at the time of the audit, out of the sample of 44 cases selected for review, issues arose in 14 cases in relation to the dates of service and in one case non-closure. In some cases it was found that as a result overpayments have arisen. There is no verification of the individual care hours provided to clients. Reliance is placed upon the client or client's family to query any differences. (June 2015) Recommendations remain outstanding. (Nov 2015) (Apr 2016)	High
ENV/019/03/2015	Disabled Facilities Grants	N/A	1 (Nov 2015)	Part 2	IMPLEMENTED	Head of Environmental Protection	Part 2 (Nov 2015) Priority one implemented. (Apr 2016)	High
ENV/013/01/2015	CCTV	N/A	1 (Nov 2015)	Part 2	IMPLEMENTED	Head of Environmental Protection	Part 2 (Nov 2015) Priority one implemented. (Apr 2016)	High
CX/076/02/2015	Astley Day Centre - financial health check	N/A	3 (Nov 2015)	Part 2	IMPLEMENTED	1. Head of Direct Care Services in conjunction with Certitude. 2. Assistant Director, Adult Social Care. 3. Head of Direct Care Services.	Part 2 (Nov 2015) All priority ones implemented. (Apr 2016)	High
CEX/012/01/2015	Stray Dogs Contract	N/A	9 (Nov 2015) 5 o/s and 1 partial (Apr 2016)	Part 2	In progress	Head of Environmental Protection	Part 2 (Nov 2015) (Apr 2016)	High

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
ENV/003/01/2015	Waste Services Audit	Limited Assurance	2 (Nov 2015) 1o/s (June 2016)	<p>Management should ensure that information on all receipts is retained so that income can be independently verified and reconciled. 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>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. Audit testing as part of this review was restricted to missed collections for GGW. However this issue must affect all types of waste collection. (Nov 2015)</p>	In progress	Head of Waste services and Contracts Manager (Waste & Refuse service)	Part 2 (Nov 2015) (Apr 2016) July 2016 1 rec outstanding & 1 implemented	High
CYP/P43/01/2013	Oak Lodge Primary School	Limited Assurance	1 (Nov 2015)	<p>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 of 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.</p> <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>	Liberata to follow-up as school is now an Academy	Headteacher and Business Manager	<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 held and used should be kept. Stock levels should reviewed regularly an 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. (Nov 2015)</p>	High
ECH/031/01/2015	Temporary Accommodation	Limited Assurance	3 P1s 2o/s April; 1o/s June 2016	Part 2	In progress	Asst Dir. Housing Needs	Part 2 (Apr 2016);1o/s June 2016.	
ECH/018/01/2015	Extra Care Housing Audit	Limited Assurance	1 (Apr 2016)	Domiciliary care statements should reflect and detail the actual care delivered within respective weeks. Care charges should reflect the actual care received on a weekly basis. Any increases or reductions in care should be reflected within the charges levied Adjustments to the individual care accounts should be rectified without delay. The process for charging for care hours should be reviewed. It should be investigated how the credit balance arose in this Appointeeship case. Financial Assessments should be undertaken regularly. Confirmation should be provided to Internal Audit that there are no other similar cases that have fallen outside of the process. All financial assessments should be readily available and contribution levels evidenced. (Apr 2016)	In Progress	Exchequer Manager/Care Management	A review of the planned and actual care hours and the respective charges were made across 5 separate weeks from the records held at Norton Court. The client contribution rates were confirmed and the monthly statements for each client from May 2015 to September 2015 inclusive were reviewed. Errors were identified on weekly care charges. There were increases and decreases in hours that were found not to have been adjusted accordingly. (Apr 2016)	High
ENV/004/02/2015	Penalty Charge Notices 2015/16	Limited Assurance	1 (June 2016)	Part 2	In progress	Head of Parking	Priority one currently being actioned for implementation (Jun 2016)	High
ENV/019/05/2015	Crystal Palace Skatepark Project	N/a	1 (June 2016)	Part 2	In progress	Asst Director ECS	Part 2	High
ECHS/015/2016	Manorfields	N/a	2 (June 2016)	Part 2	In progress	Asst Director Housing	Part 2	High

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The council’s internal audit service **generally conforms** to the requirements of the Public Sector Internal Audit Standards (PSIAS). To achieve the ‘fully conforming’ rating is a difficult benchmark due to the number of standards which need to be achieved; and the degree of subjectivity attached to the impact assessment at Section 4.

The internal audit service had undertaken a self-assessment against the PSIAS prior to the peer review and had identified a number of areas for action and improvement. The peer review process did not identify any further significant issues; and agreement was reached during the visit on those remedial actions to be delivered.

Overall, the service was assessed as follows against the PSIAS:

PSIAS assessment area	Assessment
1. Purpose and positioning	
1.1 Remit	Generally conforms
1.2 Reporting Lines	Fully conforms
1.3 Independence	Fully conforms
1.4 Risk Based Plan	Generally conforms
1.5 Integration with other service providers	Generally conforms
2. Structure and Resources	
2.1 Competencies to deliver IA remit	Generally conforms
2.2 Technical training and development	Generally conforms
2.3 Resourcing	Generally conforms
2.4 Performance management	Generally conforms
2.5 Knowledge management	Generally conforms
3. Audit Execution	
3.1 Management of the IA service	Generally conforms
3.2 Engagement planning	Fully conforms
3.3 Performance of IA work/audit delivery	Fully conforms
3.4 Reporting	Generally conforms
4. Impact	Generally conforms
Overall assessment	Generally conforms

The following key remedial actions were identified:

- To review and update the Internal Audit (IA) Charter for approval by the Audit Sub-Committee;
- To develop an effective Quality Assurance Improvement Programme (QAIP);
- To agree a new Service Level Agreement (SLA) with Greenwich for the provision of fraud investigation services;
- The Head of Audit for Bromley to obtain full Chartered status with the IIA;
- To ensure Continuing Professional Development processes are in place for all staff; and
- To regularise and enhance the IA Team Meetings.

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ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

Bromley has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) *Delivering Good Governance in Local Government: Framework*. A copy of the code is on our website at www.bromley.gov.uk or can be obtained from Chief Executive's Department, Bromley Civic Centre, Stockwell Close, Bromley BR1 3UH. This statement explains how Bromley has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6 (1), which requires an authority to conduct a review of the effectiveness of its system of internal control and prepare an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Bromley's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromley for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

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

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

Bromley is a member-led, commissioning authority, delivering services through whoever is best placed to provide quality and value for money to our residents. We support residents to manage their lives independently with the minimum of intervention from the Council.

Since 2005 the Council has had an agreed framework to improve the life of all those that visit, live, study, or work in the borough. These objectives were amended in 2013 to reflect our public health and

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health and wellbeing agenda as well as our priority to continue to invest in the economic wellbeing of our borough.

This vision is called ‘Building a Better Bromley’ and has seven key priority areas:

- A Quality Environment
- Regeneration
- Vibrant, Thriving Town Centres
- Supporting our Children and Young People
- Supporting Independence
- Safer Bromley
- Healthy Bromley

Our officer and political structures are all aligned to deliver this vision and it sets the direction and policies which other plans should help to deliver and is shared across the Council in our specific Portfolio messages and our departmental, divisional and team plans.

To support this our Corporate Operating Principles are the operational model for the Council which set out our approach to creating a flexible, responsive organisation that can embrace new ways of working with partners and staff to maintain and improve services to our community:

- **Member-led:** The Council’s resources will be targeted at local priorities as agreed by elected Members
- **Delivering Value for Money:** The Council’s services will be provided by whoever offers customers and council tax payers excellent value for money
- **Supporting Independence:** The Council will enable and encourage citizens to take more responsibility for their own lives, with the most vulnerable being provided with the help they need
- **Efficient and non-bureaucratic:** The Council will seek to reduce interference and bureaucratic control whilst protecting the Borough’s distinctive character

Our Portfolio Plans set out what we aim to deliver in the current year and what our performance targets are, using a range of national and local indicators. Overseeing the successful delivery of each plan is the joint responsibility of the Portfolio Holder and the members of the appropriate Policy Development and Scrutiny Committee (PDS). The Portfolios are aligned behind the priorities identified in Building a Better Bromley. In addition the Health and Wellbeing Board is collaboration between Bromley Council and various partner agencies whose role is to understand their local community’s needs, agree priorities and encourage commissioners to work in a more joined up way.

Our achievements over the past year and plans for the future are reported in the Annual Report and Statement of Accounts.

With substantial additional savings to be made over the next 4 years the financial situation continues to drive the future direction and work of the Council.

The Commissioning Team, led by the Director of Transformation and Regeneration and overseen by the Portfolio Holder for Resources, continue to review all our services to ensure best value for money and to determine who is best placed to deliver high quality services based on local priorities and value for money principles, within a balanced budget.

Following scrutiny through the PDS process, the relevant Portfolio Holder and the Executive will make the final decision on implementation. As part of the process formal consultations are also carried out with staff, including Trade Union and staff representatives, and service users.

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

Member/Officer roles are defined in the Constitution which sets out how the Council operates, how decisions are made and the procedures followed to ensure that decision making is efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose. This is supplemented by a Member/Officer protocol which governs the relationship between them.

Bromley continues to operate the 'leader and cabinet' model whereby the Leader appoints the Executive, and decides Portfolio Holder arrangements and responsibilities and agrees any formal delegation of various powers to the Council's Chief Officers and their staff.

The Council's decision making structure is divided between executive and non-executive matters. The Executive has seven Members and is the Council's main decision making body. It is chaired by the Leader of the Council. It either makes decisions itself or six of its Members, who hold Portfolios, decide on matters relating to specialist areas. The Portfolios cover:

- Care Services (including health)
- Education
- Environment
- Public Protection and Safety
- Renewal and Recreation
- Resources

By law the Executive cannot take all Council decisions as some matters have to be decided elsewhere, principally by the Development Control Committee (planning, conservation, highways use and regulation etc.) and the General Purposes and Licensing Committee (electoral issues, staffing matters, licensing matters etc.) and their Sub-Committees.

The appointment of the Leader of the Council and membership of the Executive and various committees is formally announced at the Council's Annual Meeting.

The Director of Corporate Services (as Monitoring Officer) is responsible for ensuring the lawfulness and fairness of Council decision making, compliance with codes and protocols, and promoting good governance and high ethical standards.

The Director of Finance (as Section 151 Officer) is responsible for the proper administration of the Council's financial affairs, preparing the Council's statement of accounts in accordance with proper practices, keeping proper accounting records and taking reasonable steps to prevent and detect fraud. Bromley's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The Director of Finance performs the role of Chief Financial Officer.

The Corporate Leadership Team is led by the Chief Executive (and Head of Paid Service) who is responsible and accountable to the Council for all aspects of corporate and operational management.

Bromley remains committed to providing a working environment in which staff can contribute to the success of the Council. Our staff commitment sets out the responsibility we all share in making this happen.

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

Bromley has adopted a number of codes and protocols that govern the activities of Members and Officers which are communicated as part of the induction process and made available via the intranet. These include codes of conduct covering conflicts of interest and gifts and hospitality.

Local authorities have a duty to promote and maintain high standards of conduct. It is mandatory that each local authority adopts a Code of Conduct dealing with the conduct that is expected of Councillors and co-opted members when acting in that capacity.

The Code of Conduct approved by full Council in 2012 requires new Members and co-opted members to register their financial and other interests within 28 days of taking office and when there are any changes. The requirement to register financial interests also extends to a spouse or partner. Any gifts and hospitality with a value of over £25 also need to be registered within 28 days of receipt.

The declarations made by each Councillor are detailed on the 'Your Councillors' page on the Council's website.

The Standards Committee considers complaints about Councillors. The Monitoring Officer must consult with an Independent Person before any decision is taken to investigate an allegation of misconduct by a Councillor, or before a decision is made on action to be taken in respect of that Councillor.

Officers are also subject to Section 117 of the Local Government Act 1972 which means that they are required to disclose any direct or indirect pecuniary interests they may have in any contract or potential contract involving the Council. In addition they are prohibited from receiving any fee or reward as result of their employment with the Council, other than their agreed remuneration. A reminder is sent out on an annual basis with registers maintained by the Monitoring Officer and individual Directors.

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

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

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

The Director of Finance (as Section 151 Officer) likewise reviews and updates Financial Regulations, Contract Procedure Rules and the Scheme of Delegation (so far as it relates to financial matters), which are incorporated into the Constitution. Financial Regulations are one of a set of management documents which collectively control and co-ordinate the financial affairs of the Council.

The scrutiny function provided by the six Policy Development and Scrutiny (PDS) Committees continues to provide constructive challenge leading to better and more robust decisions. The Executive and Resources PDS Committee has an over-arching, co-ordinating role on behalf of the other five PDS

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Committees. The Committee's principle role is to scrutinise the decisions of the Executive and to hold the Leader of the Council, the Chief Executive and the Resources Portfolio Holder to account.

The Constitution Improvement Working Group produced its fifth report in February 2016 making recommendations on several issues including a change to the way the Council develops policy and scrutinises the working of the Council. Full Council accepted the recommendations and a trial 'select committee' approach will be undertaken by the Education PDS in 2016/17. Full Council also accepted their recommendation that the Executive and Resources PDS Committee establish a Contracts Sub-Committee with scope to examine contracts and commissioning issues across the Council.

The Council's Risk Management Strategy is kept under review to reflect current procedures, guidance issued by CIPFA and best practice. This is overseen by the Corporate Risk Management Group providing a strategic overview of risk management, health and safety, business continuity and emergency planning activities to improve efficiency and develop synergies in line with Council priorities. The Group continues to report to Audit Sub-Committee. Each departmental representative acts as risk champion for their area to disseminate risk management information and facilitate the identification and assessment of risks.

Zurich Municipal conducted a review of our risk management activities during the year with the aim of improving reporting structures and aligning departmental and corporate risk registers. Their recommendations have been adopted.

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

We continue to operate a very successful Fraud Partnership with the London Borough of Greenwich building on our Anti-Fraud and Corruption Strategy. Outcomes are reported to Audit Sub-Committee, and prosecutions publicised in the local press and on the Council's website. Housing Benefit frauds are now investigated by the Single Fraud Investigation Service.

Internal Audit actively participates in the National Fraud Initiative, an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

Following a successful bid in obtaining Department for Communities and Local Government funding Bromley launched a fraud App for mobile devices in August 2015 which local residents can use to quickly and efficiently report where they suspect fraud is being committed. It is free, secure, easy to use and completely confidential. It can also be used to provide lots of up-to-date information about different types of fraud and can alert residents to scams. The plan is to roll out the App for use in 38 other boroughs across the country.

Arrangements are in place for receiving and investigating complaints. Leaflets and forms are available from enquiry points and libraries, and can be accessed on the Council's website. The same form can also be used to make a compliment or suggestion. The public is encouraged to report any problems like anti-social behaviour or a missed bin collection online. The Chief Executive and Director of Corporate Services monitor how complaints are handled within departments.

The Bromley Borough Resilience Forum, a statutory forum, meets quarterly to facilitate co-operation and information sharing at the borough level between key stakeholders in relation to emergency preparedness for major events and incidents. The Forum has a representative that attends the wider Safer Bromley Partnership Strategic Group. Through the Forum and pan-London structures the Partnership

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regularly has the opportunity to participate in training and exercise events to develop and maintain local multi-agency emergency arrangements.

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

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

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

Officer training needs are identified as part of the annual Performance Appraisal and Development Scheme and there is a comprehensive training programme for all staff. In parallel a Managers' Toolkit site is maintained on the intranet to provide a depository of policies, procedures, guidance and tools enabling all managers across the Council to work more effectively and efficiently.

There are three main training programmes; Organisational Development (including Commissioning and Contract Management, Finance, People Management), Children's Social Care (including Safeguarding, and Continuing Professional Development) and Adult's Social Care (including the Care Act 2014, Awareness of Medical Conditions, Health and Safety). To complement this face-to-face training many of the topics are now available via the web based Bromley Learning Hub which allows users to develop their skills online at a time and place that suits them. Depending on their duties some Officer training is mandatory.

Specific training for Members targets key policy issues and areas of current interest. This is supported by a dedicated Member Development site on the intranet and an area on the Bromley Learning Hub dedicated to Councillors. During the year the Director of Finance held a Finance seminar to update Members on financial issues affecting the Council including a presentation on Bromley Clinical Commissioning Group finance. The Director of Finance also organised a Pension seminar which included representatives from one of our Pension Fund managers.

IT training is delivered in partnership with Bromley Adult Education College. Officers also have access to external workshops and seminars via our membership of organisations like CIPFA.

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

We continue to review how we can improve our channels of communication with all sections of the community and other stakeholders. Increasingly Bromley is using social media sites like Twitter and Facebook to provide information and links to upcoming events. Everyone over the age of 18 can register for a MyBromley account where residents can manage their council tax, access services, receive alerts and relevant information online. Besides the main Council website Bromley MyLife is the social care and health website. It provides information and advice for people who have care and support needs, their carers and people who are planning for their future needs.

Statistics show that there is a steady increase in visits to our website to view pages and access online services like council tax and waste. Mobile devices or tablets now account for more than half the visits.

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Council meetings are held in public and agendas and report packs are made available in advance on the Council website, at the Civic Centre and through local libraries at least 5 working days prior to each meeting. Most meetings start at 7pm and there are some daytime meetings. Members of the public can ask questions at a meeting or a written reply can be sent subject to giving sufficient notice. There is a facility to set up daily email alerts on key words or topics.

The Council held three meetings in November and December 2015 (two round-table meetings for representatives from residents' associations, and a wider public meeting) as part of the 2016/17 budget consultation under the title 'Bromley Council's Budget 2016/17 - Your Views'. The consultation included an online survey, focusing on resident's priorities, collecting their views on what they felt was most important, and asking for practical ideas for saving and generating money to help secure important front line services. This attracted 2,514 replies. This was supplemented by links to detailed information and graphs about the Council's finances on the main website. Additionally submissions were received from Bromley Youth Council enabling young people to have a say in how local services are organised, and connecting them with local democracy. Consultation papers were also sent to local business representatives for their views and comments. Prior to finalising the 'Schools Budget' the Education Portfolio Holder consulted Headteachers, Governors and the Schools Forum.

As part of the continuing development of Bromley's Local Plan the Council carried out three consultations during the year. These covered draft site allocations and designations, changes to the Council's Statement of Community Involvement and proposals for local green space. The Council also consulted on changes to the Council Tax Support Scheme with effect from 1 April 2016 and a Cycling Strategy setting out proposals for cycling in the borough up until 2026.

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

The Council operates a Petition Scheme whereby any person who lives works or studies in the Borough of Bromley can submit a petition. Once a petition has been validated a response will normally be sent back within 10 working days. If petitioners are dissatisfied with the Council's response to a petition they have submitted they can request that the issue be brought to a meeting of the full Council for consideration, provided that the number of verified signatures exceeds the threshold required (500 signatures, or 1,000 signatures for an e-petition.) The lead petitioner or their nominee can address the Council for up to five minutes. All petition responses are published on the Council's website.

Given the increasing numbers of Freedom of Information requests, an online form has been introduced to channel requests to the right departments so that enquiries can be dealt with as quickly and efficiently as possible.

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

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

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

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The Children's Trust Stakeholder Conference and the Adult Services Stakeholder Conference involve partner agencies, voluntary and community organisations and service users in shaping business planning and priorities for the future. The theme of Adult Services Stakeholder Conference held in November 2015 was 'Living Well with Dementia in Bromley'. The Children's Trust Stakeholder Conference held in March 2016 focused on 'Working with children and young people to maintain their emotional wellbeing'. Both bodies report to the Care Services Portfolio Holder, other Portfolio Holders as appropriate, and/or the Health and Wellbeing Board.

Review of Effectiveness

Bromley has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Leadership Team comprising Directors and Assistant Directors within the Authority who are responsible for the development and maintenance of the governance environment. This is supported by the Head of Audit's annual report, the Policy Development and Scrutiny annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

As part of this review the Assistant Directors and Heads of Service, where appropriate, have completed and signed an Assurance Statement in relation to their service areas. In turn each Director has reviewed the effectiveness of key controls, using a detailed checklist, to provide an overall Assurance Statement for their own directorates.

The governance framework and internal control environment encompasses all the organisation's policies, procedures and operations in place. At Bromley this is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

The process of maintaining and reviewing the effectiveness of the governance framework, including the system of internal control, includes the following elements:

Council Framework

We continue to operate with a Leader and an Executive. The Leader personally controls all decisions about the Council's executive functions. He can then choose whether to make all decisions personally, or to make arrangements for others to do so.

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

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

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

Policy Development and Scrutiny Committees

Overview and Scrutiny is an important part of the process of checks and balances in local government and is the principal means of ensuring that the Council and its partners are held to account. Six Policy Development

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and Scrutiny (PDS) Committees discharge this role as set out in the Local Government Act 2000 and successive legislation. The PDS Committees mirror the Council's Executive portfolios.

In addition there are two PDS Sub-Committees:

- Education Budget Sub-Committee
- Health Scrutiny Sub-Committee

Although they have no decision making powers, PDS Committees and Sub-Committees have key roles in contributing to policy development and scrutinising the decisions of the Executive and individual Portfolio Holders.

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

They are also involved in the budget setting process and provide comment and recommendations for the Executive to take account of when formulating the Council's annual budget. Similarly, PDS Committees monitor in-year spend of budgets and raise concerns where there is a possibility of overspend or other issues affecting spending priorities. In addition PDS Committees can commission groups of Councillors to review an issue or policy so assisting a Portfolio Holder or the Executive to improve a service or local function affecting local people.

More routine decisions can be made without formal scrutiny where the PDS Committees and Portfolio Holders are in agreement, subject to the proposed decision being emailed to all Members in advance. Any Member may then request that a matter be referred to the relevant PDS Committee before a decision is taken.

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

Only one call-in has been made during 2015/16 which reflects an emphasis given to pre-decision scrutiny leading to better and more robust decisions which are less likely to be challenged.

The Executive and Resources PDS Committee has an over-arching, coordinating role on behalf of the other five PDS Committees and provides an Annual Report to full Council summarising the work that has been carried out during the year.

The Executive and Resources PDS Committee has a rolling programme where the Leader of the Council, the Resources Portfolio Holder and the Chief Executive each do two presentations a year on a rota basis. The other PDS Committees do not generally do this although the relevant Portfolio Holders and Chief Officers are usually present at all their meetings.

The Committees are supported by the statutory Scrutiny Officer who also provides support and guidance to Members on the functions of overview and scrutiny.

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Internal Audit

Internal Audit is responsible for conducting audits, using a risk based approach, to highlight any weaknesses throughout the Council. Internal Audit operates to defined standards as set out in the Public Sector Internal Audit Standards (PSIAS). The effectiveness of the system of Internal Audit is measured by compliance with this code and peer reviews. Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal control. In March 2016 Internal Audit was independently assessed under PSIAS' 'Quality Assurance and Improvement Programme', to ensure compliance with their standards. The overall assessment was that the council's internal audit service generally conforms to their requirements. An Annual Audit Plan is used to map out the cyclical coverage of fundamental financial systems and other audits. The plan is based on the identification of the Council's systems and activities to be audited, each assessed for risk. Work relating to prevention and detection of fraud and corruption is integrated into this audit planning process. Each audit is reported to the appropriate level of management together with agreed action plans where appropriate. In addition all significant weaknesses are reported to Audit Sub-Committee and followed-up until recommendations are implemented. The supporting summaries of audit reports help inform the overall assessment of internal controls.

The Head of Internal Audit is empowered to report any matter of concern directly and independently to the Director of Corporate Services, Director of Finance, Chief Executive, the Chairman of Audit Sub-Committee or the Leader of the Council, as appropriate.

In his Annual Report to Audit Sub-Committee the Head of Audit confirmed that 'my overall opinion on the control environment based on the internal testing and reviews undertaken is that there is overall reliance on the internal controls identified and where there have been significant issues highlighted provide assurance that corrective management action has been or will be taken to mitigate the risks. Over the past year there have been audits and investigations that highlighted a number of weaknesses in the areas of supervision/monitoring, document control and updated procedures. Some of these weaknesses have resulted in priority one recommendations. The Head of Audit can confirm that adequate action plans have been agreed for all areas of identified weakness and Internal Audit will continue to apply close scrutiny to ensure that all current priority control weaknesses are addressed by management.'

Following the launch of a new Counter Fraud Code Assessment Tool by CIPFA in September 2015 to provide assurance on the adequacy and effectiveness of an organisation's counter fraud arrangements Internal Audit carried out a self-assessment. This evidenced that we were generally compliant with the 68 performance statements.

Internal Audit submits an Annual Fraud Report to Audit Sub-Committee summarising all fraud and investigations undertaken during the year. Audit Sub-Committee has provided assurance to the external auditors that they are satisfied with our fraud arrangements within the Authority.

External Inspections

In their *Report to those charged with governance* for the year ended 31 March 2015, presented to the General Purposes and Licensing Committee on 17 September 2015, the external auditors PricewaterhouseCoopers LLP reported the following:

- 'The Authority has set out a financial strategy from 2015/16 to 2018/19. There is a notable 'budget gap' in the financial forecast up until 2018/19 as reported to the Executive in February 2015 (cumulative budget gap of £52m in 2018/19). We are aware the Authority is in the process of determining actions to reduce the Authority's medium term 'budget gap. We have made recommendations as part of our Value for Money duties to management to continue to ensure actions are underway.'

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- ‘Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of the Statement of Accounts and our review of the Annual Governance Statement.’
- Six internal control deficiencies were reported covering an out of date bank mandate; timeliness of staff submitted overtime; gross internal area and use of Uniform; use of a Pension Fund bank account; pension joiners to the pension scheme administration system, and Statement of Investment Principles - investment manager cash. The recommendations were accepted and acted upon, with the exception of the Pension Fund bank account that Bromley will continue to review.
- ‘We reviewed the Annual Governance Statement to consider whether it complied with the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.’

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

Full Joint Inspection led by HM Inspectorate of Probation – Youth Offending Work in Bromley – May 2015

Four out of six key judgements were rated poor, one unsatisfactory and one satisfactory.

Following publication of the report the Authority has taken a number of actions to deliver the required service improvement including the creation of a single strengthened Youth Offending Service Management Board, chaired by the Chief Executive, and the development of an Improvement Plan.

The report was considered at a Joint Meeting of Care Services, Education, and Public Protection and Safety PDS Committees in July 2015. Since then four progress reports on the Improvement Plan have been presented to Education PDS Committee.

Care Quality Commission – 118 Widmore Road (provides a respite accommodation service for people with learning difficulties) – July 2015

Overall rating for this service: Good

Subsequent year end events:

Ofsted – Inspection of services for children in need of help and protection, children looked after and care leavers Bromley – June 2016

A report has been issued which is due to be discussed at the Executive. Any governance issues will need to be addressed going forward.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Risk Management Group, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

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Significant Governance Issues

Last year we identified the following governance issues:

Governance Issue and Actions	Outcome
<p>1. Capacity to make further budget savings and maintain frontline services. The Council will need to make significant savings of approximately £50m over the next four years.</p> <p><i>The Executive is working to balance the budget for 2016/17. Where possible identified savings will be taken as early as possible. We continue to retain four year forward planning.</i></p>	<p>During 2015/16 we continued to make significant savings and our budget for 2016/17 allows us to address increased demands on council services, often for our most vulnerable residents, as well as the additional responsibilities local authorities have to shoulder without any more money from government.</p>
<p>2. Commissioning and transformation agenda:</p> <p><i>The Commissioning Team will continue to identify services that are either standalone or can be bundled together and then seek approval to market test or other options.</i></p>	<p>The Commissioning Team led by the Director Regeneration and Transformation and overseen by the Resources Portfolio Holder meet on a weekly basis to review progress. Every decision taken concerning commissioning is taken after scrutiny by a PDS Committee, the relevant Portfolio Holder, and the Executive.</p>
<p>3. Welfare reform agenda: The government continues to reform the welfare system with the first phase of Universal Credit now expected to be rolled-out to claimants by March 2016. The government is also committed to cutting a further £12bn from welfare spending.</p> <p><i>The resulting impact on Council's services will need to be assessed and reported to the relevant PDS Committees.</i></p>	<p>Council Tax Support Scheme: Following a public consultation the Council agreed in December 2015 to reduce the level of support to 75% of Council Tax Liability for working age claimants for the financial year 2016/17.</p> <p>The Council has been modelling the impact of the Welfare Reform and Work Act 2016 which includes provisions for cuts to tax credits and the benefits cap.</p> <p>Currently Universal Credit is only applicable to single people in Bromley.</p>
<p>4. The implementation of the Care Act 2014 from 1st April 2015 places very significant new responsibilities on the Council with regard to both those who may qualify for services but also for those who care for them. The 'cap on care costs' will be implemented from April 2016.</p> <p><i>The modelling of potential risks has been subject to considerable scrutiny. Until changes are implemented we will not know exactly what new pressures we will see. Online Care Act training is mandatory for all Education, Care and Health Services staff.</i></p>	<p>The Government announced in July 2015 that the 'cap on care costs' which was due to be introduced in April 2016 has now been delayed until April 2020.</p>

ANNUAL GOVERNANCE STATEMENT

Governance Issue and Actions	Outcome
<p>5. The Public Service Pension Act 2013 requires The London Borough of Bromley Pension Fund to establish a Local Pension Board. The Local Pension Board will ensure that the Code of Practice on governance and administration issued by the Pensions Regulator is complied with. The new Local Pension Board has to meet by 1st August 2015 at the latest.</p> <p><i>Terms of Reference have been agreed and two Member representatives have been appointed and two employer representatives are currently being considered to sit on the Board. This will meet on an annual basis and members of the Board will also be invited to attend meetings of the Pensions Investment Sub-Committee.</i></p>	<p>The Local Pension Board has appointed two employer representatives and met for the first time on 27 July 2015.</p>

Any outstanding issues are included in the table below, together with any new governance issues.

Governance Issue	Actions
Capacity to make further budget savings and maintain frontline services: The Council will need to make significant savings of over £30m during the next four years.	The Executive is working to balance the budget for 2017/18. Where possible identified savings will be taken as early as possible. We continue to retain four year forward planning.
Commissioning and transformation agenda	The Commissioning Team will continue to identify services that are either standalone or can be bundled together and then seek approval to market test or other options.
Code of Corporate Governance: CIPFA / SOLACE have revised their guide on governance in local government. The new Delivering Good Governance in Local Government Framework (2016) applies from the financial year 2016/17 onwards.	The new framework applies to next year's Annual Governance Statement and we will review and update our existing governance arrangements to ensure they comply with the core and sub-principles in the framework, and report to Audit Sub-Committee in November 2016.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed.....

Signed.....

Chief Executive

Leader of the Council

Date.....

Date.....

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