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DATE: 21 November 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 **TUESDAY 29 NOVEMBER 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 6TH JULY 2016-- EXCLUDING THOSE CONTAINING EXEMPT INFORMATION (Pages 5 - 10)**
- 4 **QUESTIONS FROM COUNCILLORS OR FROM 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 November 23rd 2016.

- 5 **MATTERS OUTSTANDING FROM THE LAST MEETING--PART 1 (Pages 11 - 14)**
- 6 **QUESTIONS ON THE REDACTED REPORTS PUBLISHED ON THE WEB**

The list of published redacted audit reports is:

1. Redacted Stray Dogs Final Follow Up Audit
2. Environmental Protection Final Audit-2016-2017

3. Redacted CIL Final Internal Audit Report
4. Redacted Final Report for Document Retention
5. Redacted Final Internal Audit for Creditors
6. Redacted Learning Disabilities Final Audit Report
7. Redacted Confirm System Final Audit
8. Redacted Payroll Final Audit Report-2015-2016
9. Redacted Children with Mental Health Needs Audit-2015-2016
10. Redacted Final Internal Audit Report for St Georges Primary School
11. Redacted Final Internal Audit Report for Troubled Families
12. Redacted Final Care Link Report-2016-2017
13. Redacted Biggin Hill and Glades Final Audit Report-2016-2017
14. Redacted Building Control Final Report-2016-2017
15. Redacted Dorset Road Infants School Final Audit Report-2016-2017
16. Redacted NNDR Final Report-2016-2017
17. Redacted St Anthony's School Final Internal Audit Report-2016-2017
18. Redacted Final Internal Audit Report for Insurance-2015-2016
19. Redacted Exchequer Contractor Follow Up Report-2016-2017

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

The reports can be viewed on the Council website using the following link:

<http://cds.bromley.gov.uk/ieListDocuments.aspx?CId=559&MId=5978&Ver=4>

7 INTERNAL AUDIT PROGRESS REPORT (Pages 15 - 92)

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

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

Items of Business

Schedule 12A Description

- | | | |
|-----------|---|---|
| 9 | EXEMPT MINUTES OF THE MEETING HELD ON 6TH JULY 2016 (Pages 93 - 100) | Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. |
| 10 | MATTERS ARISING FROM THE PREVIOUS MEETING--PART 2 (Pages 101 - 104) | |
| 11 | INTERNAL AUDIT FRAUD AND INVESTIGATION REPORT (Pages 105 - 124) | |

12 DATE OF THE NEXT MEETING

The Audit Committee will meet next on April 4th 2017.

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AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.00 pm on 6 July 2016

Present:

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

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence had been received from Cllr Peter Fortune.

2 DECLARATIONS OF INTEREST

Councillor Onslow declared a personal interest as a former employee and current pensioner of Zurich Municipal. Cllr Onslow also declared that he currently worked for the Royal Borough of Greenwich for two days a week.

3 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 5th APRIL 2016 (EXCLUDING THOSE CONTAINING EXEMPT INFORMATION)

The minutes of the meeting held on 5th April 2016 were agreed, and signed as a correct record.

4 QUESTIONS TO THE COMMITTEE FROM COUNCILLORS OR MEMBERS OF THE PUBLIC

There were no questions.

5 MATTERS ARISING FROM THE PREVIOUS MEETING (PART 1)

CSD16098

The Committee considered the progress on matters arising from previous meetings.

In relation to the surcharge for the use of consultants, the Chairman requested that an email update from HR be sent to Members of the Committee with the new procedures that would be put in place following the findings of the HMRC audit. The email update should be sent to Members of the Audit Sub Committee as soon as possible, and should not be left until the next meeting.

RESOLVED: that progress on matters arising be noted and that an email update concerning the new procedures being put in place for the use of consultants should be emailed to members of the Audit Sub Committee as soon as possible.

6 QUESTIONS ON THE REDACTED REPORTS PUBLISHED ON THE WEB

The Committee had received advance copies of the following redacted reports via email:

- 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

No further questions were asked.

7 INTERNAL AUDIT PROGRESS REPORT

Report CEO1622

The Committee considered a report informing Members of recent audit activity across the Council. The report also provided an update on matters arising from the last Audit Sub-Committee. The latest list of priority one recommendations was attached to the report at Appendix A.

The Head of Audit provided an update concerning creditors and reported that the follow up audit covering the three month period March 2016 to May 2016 showed 2,129 retrospective orders being raised. This represented a slight decrease from the quarter to December 2015 when 2,155 were raised retrospectively. However 28% of the orders related to Housing which represented a decrease from 44%. This reflected the streamlining of the payment process. There had been an increase in retrospective orders in other areas that had left the number on similar levels as before. This

recommendation had been left as outstanding and a further follow up would be conducted for the next cycle of the Committee.

A Member queried whether the recent Ofsted Inspection of Children's Services had raised any issues that would impact on the findings in the report that had been presented to the Committee. In response, the Head of Audit confirmed that some of the issues in the Ofsted report had been identified by internal audit two years ago, an example of this was concerns surrounding pathway plans.

Members agreed that the proposed Internal Audit Charter be adopted.

Members noted the list of redacted reports and that in future where applicable, the audit opinion would be stated.

The Committee congratulated the Head of Audit on his nomination for Bromley Auditor of the Year.

In relation to Housing Benefit Fraud Cases referred to the Department for Work and Pensions, the Head of Audit stressed the need to ensure that the Bromley element of some of the cases did not go without investigation given the DWP's reluctance to pursue joint prosecutions. The Committee supported the recommendations set out in paragraph 3.36 of the report. It was agreed that the Bromley element of cases should be investigated and where appropriate, prosecutions should be bought for council tax support where the overpayment exceeded £3,000. In response to a question, the Head of Audit confirmed that there was a financial implication to the Authority if allegations were not followed up, as overpayments may continue to be made whilst the DWP decision was awaited and also no money could be made on cases where the administration penalty could be levied.

Members noted that a further update on Local audit contracts for local authorities would be provided to the Committee.

In relation to Risk Management, the Committee noted the excellent work that had been undertaken on risk management. Members discussed the risks associated with the outcome of the recent referendum and the decision to leave the European Union--such as possible increases in wages, the ability to demonstrate value for money, and changes in legislation relating to contracts. Members agreed that it would be prudent to do some work around these issues but it was too early to consider.

The Committee noted and endorsed the Code of Corporate Governance.

RESOLVED: that

- a. the Progress Report and comment upon matters arising be noted;**
- b. the list of Internal Audit Reports publicised on the web be noted;**

- c. the Chief Executive's nomination for Auditor of the Year be approved;**
- d. the updated Internal Audit Charter be approved;**
- e. the review of value for money arrangements in SEN be noted;**
- f. the latest on cases referred to the DWP be noted and council tax cases where overpayments exceed £3,000 be prosecuted where possible;**
- g. the latest position on the options to appoint a local auditor be noted; and**
- h. the updated high and significant risks be noted.**

8 ANNUAL AUDIT REPORT

Report CEO1634

The Committee considered the annual report of audit activity in 2015/16 which was 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 Leader to sign an Annual Governance Statement.

Internal Audit's main objective remained 'assisting management and Members in minimising risks, maintaining high standards and continuously improving service delivery through independent appraisal, review and advice.' This was carried 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 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. Developing a web based interactive training packages on audit controls on key audit findings and risk management.

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

- Optimise the use of audit resources available, given that these were 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.

The Committee noted the outcome of the Peer Review that had been undertaken.

Members also noted and endorsed the Annual Governance Statement.

RESOLVED: that the draft Annual Governance Statement be approved.

9 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.

10 EXEMPT MINUTES OF THE MEETING HELD ON 5th APRIL 2016

The exempt minutes of the meeting held on 5th April 2016 were agreed, and signed as a correct record.

11 MATTERS ARISING-PART 2

Report CSD16099

The Committee considered an update on progress with Matters Arising (Part 2) from the previous meeting.

RESOLVED: that the exempt matters arising be noted.

12 INTERNAL AUDIT FRAUD & INVESTIGATION REPORT

Report CEO1623

The Committee considered a report which provided an update on recent Internal Audit activity on fraud and investigations across the Council. The report detailed updates on previously reported cases, expanded on new cases of interest, detailed cases on the fraud register and, provided information on a pro-active exercise.

13 ANNUAL FRAUD REPORT

Report CEO1635

The Committee considered and noted the sixth annual fraud report summarising all fraud and investigations undertaken for 2015/16.

RESOLVED: that the report be noted.

The Meeting ended at 8.55 pm

Chairman

Report No.
CSD 16166

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **29th November 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.
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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	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.	Covered in Progress report
Full Council Question 11 th April 2016 Use of Consultants	There was referral to the Audit Sub Committee reference to the HMRC audit that resulted in a surcharge to Bromley of £343K for the use of consultants.	Director of HR to bring a document to the Audit Sub Committee- setting out the HMRC findings, and the procedures being taken to ensure there is no repetition.	Charles Obazuaye	This has been actioned. The update paper was circulated to Members by the Head of Democratic Services on behalf of HR. The Director of HR sent the update to the Chairman and Vice Chairman.
Minute 5 6 th July 2016 Matters Arising Use of Consultants	It was resolved that an email update concerning the new procedures being put in place for the use of consultants should be emailed to members of the Audit Sub Committee as soon as possible.	See Above	See Above	Completed..
Minute 7 6 th July 2016 IAPR	It was resolved that council tax support cases where overpayments exceeded £3k be prosecuted where possible.			Actioned- two cases of council tax support are being prosecuted. Others are being reviewed.
Internal Audit Fraud and Investigation Report Part 2 Reports.	Matters relating to: Green Garden Waste IT problems. Register of Business Interests Manorfields	See updated Part 2 reports.	Head of Internal Audit Head of Internal Audit	Various. Report in part 2 Report in part 2 Report in part 2.

	Legal Status of Civil Enforcement Officers			Covered in progress report.
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Report No.
FSD 16075

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Tuesday 29 November 2016**

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

Title: **INTERNAL AUDIT PROGRESS REPORT**

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

Chief Officer: Director of Finance

Ward:

1. Reason for report

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

- 3.1 Priority One Recommendations.
- 3.68 Audit Activity
- 3.71 Waivers
- 3.76 Publication of Internal Audit Reports
- 3.80 Public Sector Internal Audit Standards/Quality Assurance Improvement Programme
- 3.83 Housing Benefit Update on Referrals
- 3.86 Appointment of Local Auditors
- 3.88 Annual Audit Letter
- 3.90 Letter of Representation
- 3.92 Code of Transparency
- 3.93 Head of Audit
- 3.95 Objection to the Accounts
- 3.97 HMRC Update
- 3.99 Training
- 3.101 Risk Management

2. 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) Note the list of waivers sought since March 2016.**
- d) Note/Approve the Quality Assurance Improvement Programme.**
- e) Note the latest on cases referred to the DWP.**
- f) Note the latest position on the options to appoint a local auditor.**
- g) Note the Annual Audit Letter 2015/16 from the External Auditors.**
- h) Note the Letter of Representation.**
- i) Code of Transparency - reporting of fraud.**
- j) Note the recruitment process for Head of Audit.**
- k) Note the launch of web based training for risk, audit controls and fraud and corruption.**
- l) Note the latest update on high and significant risks and actions taken to improve the process and approve the revised corporate risk register.**

Impact on Vulnerable Adults and Children

1. Summary of Impact:
-

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 £164K fraud partnership costs
 5. Source of funding: General fund, Admin subsidy, Admin penalties, Legal cost recoveries
-

Personnel

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.
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Legal

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

Procurement

1. Summary of Procurement Implications: Some audit recommendations will have procurement implications
-

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 have been further additions detailed below since the last meeting of this Committee. There has also been some movement in priority one recommendations brought forward that are also detailed below.
- 3.2 Progress on implementation of recommendations for Temporary Accommodation (TA) (all 3 priority one recommendations originally made have now been implemented, the priority one on rent arrears - plus an additional 2 new priority one recommendations following an audit of TA in 2016/17 is now in Part 2); Waste Services (1 outstanding priority recommendations out of 2 priority one recommendations originally made plus further information - see Part 2); and Crystal Palace contractual matter (1 priority one that is in Part 2 has been implemented).
- 3.3 The rest of the updates are detailed below. Creditors (1 priority one recommendation made that has been implemented); Transition Team (1 priority one recommendation made which is outstanding); Domiciliary Care (2 priority one recommendations made both of which have been implemented); Extra Care Housing (1 priority one recommendation made which is outstanding); Stray Dogs contract previously reported in Part 2 (9 priority one recommendations made of which 6 have been fully implemented and 3 reduced to priority 2 due the progress demonstrated); Manorfields (2 priority one recommendations made 1 one of which is outstanding; Blenheim Primary School (1 priority one recommendation made that has been implemented); and Penalty Charge Notices (1 priority one recommendation which has been implemented) . There is also a brief reference below to the outstanding priority one recommendation on Rent Arrears that is now subsumed within the Temporary Accommodation audit elaborated upon in Part 2 .
- 3.4 There are also new priority ones in the following areas –NNDR (business rates one priority 1); Community Infrastructure Levy (2 priority one recommendations); Document Storage & Retention (2 priority one recommendations); Learning Disabilities (3 priority one recommendations). These are expanded upon below.
- 3.5 **Transition Team**
- 3.6 This related to progress on implementation of the recommendation in respect of overpayments and underpayments of direct payments. Further testing of this priority one showed that in one instance a direct payment continued to be paid and the service agreement had not been ended when the client moved out of the Borough. Therefore an overpayment arose from August 2016 to date. Additionally, management advised the Auditor that the direct payment had not been utilised since October 2015 which resulted in a surplus on the direct payment account. Therefore, the surplus balance on the account of £1,902 as well as the overpayment of approximately £760 will need to be recouped.
- 3.7 As a result of our testing this priority one will remain outstanding.
- 3.8 **Domiciliary Care**
- 3.9 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. Follow up testing has shown that there are now no issues and that this recommendation is now considered implemented.
- 3.10 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 this recommendation has shown there were no issues and that actions taken by management to refer cases to other

sections such as finance and central placements in a timely manner should assist in the reconciliation process.

3.11 Extra Care Housing

3.12 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. Testing for implementation of the recommendation has shown that issues arose with one case that has resulted in no charges being levied for 8 weeks at £101.60 per week. The loss of income will need to be recovered from Liberata. This recommendation remains outstanding.

3.13 Rent Arrears –Emergency Accommodation

3.14 We have covered rent arrears in the Temporary Accommodation audit the contents of which are expanded upon in Part 2.

3.15 Creditors

3.16 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. Four previous follow ups covering periods up to May 2016 showed that there was still a problem given the number of retrospective orders raised.

3.17 The latest follow up covering the three month period June 2016 to August 2016 shows 1,366 retrospective orders being raised and is a significant drop of 36% from the quarter to May 2016 when 2,129 were raised retrospectively. We have therefore taken this recommendation from the list of priority one recommendations however, this will be followed up as part of the 2016/17 creditors audit.

3.18 Manorfields

3.19 We had previously reported on Manorfields under Part 2 of the July 2016 agenda. A decision was taken by Members of this Committee that the report should be publicised. Internal Audit were asked to review the Manorfields capital project following referrals from Members of the Care Services PDS, and Chairman of Audit Sub in February 2016. Concerns had been raised at the Care Services PDS relating to additional costs above the original estimate of £563,437. Additionally, a member of the public, had e-mailed the Authority on the 30th March 2016 with four questions relating to the refurbishment of Manorfields to a temporary accommodation establishment and contractual arrangements with Orchard and Shipman (OS) the responses to which were detailed in the Internal Audit report.

3.20 As a result of the audit findings, a number of recommendations were made relating to retention of documents (which we have classified as a priority one recommendation); compliance with Contract Procedure Rules and Financial Regulations (which we have classified as a priority one recommendation); the need to have formal contracts in place for capital works setting out roles and responsibilities, service delivery, variations etc; a full reconciliation of the Manorfields project to be completed; and consider utilising the in house Building Control team for capital works.

3.21 In respect of retention of documents Internal Audit have treated this as a general issue as it has been a problem in some of the other contracts that have been audited. The following actions are being taken:

- Awareness of the need to retain documents through a training package 'Audit Controls' that has recently been launched and available to all officers. This includes a slide on documentation retention.
- A report to members of the Contract Sub Committee in August 2016 specifically highlighting this as a problem, The report subsequently went to E& R PDS.
- A report on Contract Monitoring and Contract Management arrangements prepared by the Director of Commissioning Services that includes document availability to be discussed at the Corporate Leadership Team (CLT).
- Given the above actions to promote awareness at officer and member level and referral to CLT, Internal Audit consider that this recommendation has been addressed. However, this will be tested when further contracts are reviewed.

3.22 The second recommendation was in respect of compliance with Contract Procedure Rules – whilst the same actions taken as indicated above also apply to this recommendation, the monitoring of the final account for this work has still not been completed to management's satisfaction and therefore this recommendation has been kept open until it is completed and also reviewed by Internal Audit.

3.23 **Stray Dogs Contract Follow Up**

3.24 The original audit report was originally reported to this Committee as a Part 2 item for contract and management reasons. These are now concluded and the follow up report is summarised below.

3.25 The review of the stray dog contracts was commissioned by the Executive Director of ECS following issues raised by the Head of Audit in May 2015. The Internal Audit report, finalised in November 2015, identified 9 priority 1 recommendations relating to contractual arrangements with providers, contract management, compliance to contract procedure rules and financial regulations, value for money and income and expenditure procedures. The full report was presented to Audit Sub Members on the 1st December 2015 and an update on progress taken to the April Committee. Members were informed in April 2016 that management had reacted swiftly to the major issues; retendering the kennelling contract on a pay as you go basis; renegotiating the collection contract and seeking Member approval for two policies relating to rehoming and destruction of stray dogs. The update report concluded that progress had been made for three priority 1 recommendations; contractual arrangements, analytical information reported to Members and the rehoming/do not destroy policy. These recommendations were considered implemented and therefore closed. The priority 1 recommendation relating to supporting documentation held for contracts and the departmental policy to retain documents was partially implemented. Although 5 priority 1 recommendations were outstanding, Internal Audit acknowledged that significant changes and improvements had been made by the Head of Service. Given the new contract with another kennel supplier had only been operational since February 2016 it was agreed to carry out the follow up audit review after a 6 month period.

3.26 The follow up review was supported by audit testing on source data provided by the contractor for securing stray dogs, invoices submitted by the suppliers and records maintained by the responsible officers. Interviews were held with officers involved in the stray dog process and also management to determine progress on findings deemed to be departmental. There have been two major changes since the original report; the change in legislation requiring all dogs to

be micro chipped, that came in to force on the 1st April could impact on the volume of dogs collected and sent to kennels and secondly the move to a pay as you go contract rather than block booking reserved kennels.

- 3.27 Annual payments to the stray dogs contractor for the dog collection service have remained at £63K for this financial year. The variation to contract signed in July 2016 has formalised the additional duties that the contractor will undertake to offset the reduced number of stray dog referrals. Payments to Lodge Kennels, as at 30/8/16 is £6K; £480 has been paid to Battersea Dogs and Cat Home (BDCH). The contractor returns show that for the first quarter 2016/17 13 dogs have been collected and returned to owner, 35 dogs collected and transferred to kennels and there were 37 aborted calls. Extrapolating the kennelling costs for the first 3 months the average cost for each dog is £3.6K/35 dogs £103 which represents 10 days in kennel.
- 3.28 The follow up review concludes that of the 5 outstanding priority 1 recommendations 2 have been fully implemented relating to waivers and value for money. The 3 recommendations relating to contract monitoring, payment of invoices and collection of income are partially implemented. There are minor findings in all three areas that prevent full implementation but it is acknowledged that the service have made significant progress in all three areas that would warrant a priority 2 recommendation rather than the priority 1. For the 1 partially implemented recommendation, relating to retention of documentation, this is now considered fully implemented. The retention of documents will be routinely tested for all contracts as audit reviews are undertaken in the department.
- 3.29 As a result of the follow up audit we will not be reporting on this contract as there are no priority one issues.

3.30 **Blenheim Primary School**

- 3.31 The original audit report was originally reported to this Committee as a Part 2 item following which Members of this Committee agreed that the report should be publicised on the web. The follow up of the recommendation is summarised below.
- 3.32 The original audit review identified a priority one finding that was reported to this Committee. The review of payments to 'Company A' indicated that the school has spent a total of approximately £38,580 with this company between 1 September 2014 and 23 February 2016. Expenditure relates to contract payments for the IT curriculum support service (£3,420 per year) and equipment purchased through them. The school should be aware of Financial Regulations for Schools and Contract Procedure Rules whereby formal tenders will be required for goods and services when the cumulative expenditure with one supplier exceeds £50,000. All non-contract items and services which have been purchased since 1 September 2014 and any which may be purchased in future should be considered as cumulative spend.
- 3.33 Prior to the discussion and award of contract, the Headteacher declared a conflict of interest as the Director of 'Company A' is her son. This has been declared at the start of each Committee meeting and when IT issues are discussed it is minuted that the Headteacher leaves the meeting, for example the award of contract at the Governing Body meeting in July 2014. However to achieve complete transparency and mitigate any risk of challenge it is suggested that this area be subject to review and the suggested controls implemented.
- The conflict of interest be minuted rather than "previously declared", as evidenced in the Committee minutes reviewed. This will allow any new Governors attending to be aware of the conflict of interest.

- The Headteacher should not solely be party to any correspondence between the school and the contractor or be involved in any procurement decisions relating to IT issues. These should be made with the authority of another officer/Governor within the Scheme of Delegation.
- The expenditure process at the school is for the Headteacher to authorise all invoices, but for 'Company A' invoices they should be authorised by another approving officer, being mindful to comply with separation of duties.
- A follow up visit to the school showed that company A's invoices examined which had been received and paid since the issue of the audit report in March 2016 had all been checked by the Finance Officer and approved and authorised by the two Deputy Headteachers. The Headteacher had not been involved in the process in any way. There were no IT purchases above £5,000 which would have required quotations.
- There have been two meetings of the full Governing Body since the issue of the audit report. These took place in March 2016 and June 2016. The minutes of both meetings showed that the Headteacher had declared an interest at the start of the meeting that the Director of Company A was her son and she was a member of the Stakeholder Board of the Bromley Trust Academy.
- We therefore consider that the requirements of the recommendation have been implemented.

3.34 **Penalty Charge Notices (PCNs)**

3.35 We had previously reported to this Committee that a planned audit of PCNs resulted in a priority one finding relating to the formal procedure for the contractor to check and verify new starters to ensure that all CEOs have legal status to work. Audit testing identified incomplete information returned to Bromley for the 15 new starters checked. On examining these records from February 2015, it was identified that full details were not always included in the sample selected. Management accepted that some fields were incomplete and were not questioned. Omissions have now been verified and agreed as complete. They have also stated that since the audit, an enhanced procedure check was introduced in June 2016 (which Audit verified as being satisfactory and a copy has been sent to Members of this Committee) – these ensured documents are inspected by the Head of Service, within agreed timescales and formally recorded in Monthly Contract Meetings.

3.36 The follow up of this recommendation has shown that for the five month period, June 2016 to September 2016 there were 9 new starters engaged by Indigo. The Head of Service evidenced scanned copies of the supporting documentation, the relevant section of the monthly contract meeting minutes and the monthly client report submitted by Indigo. All 9 new starters checked were adequately recorded and supporting documentation evidenced to allow the priority 1 to be considered implemented.

3.37 Tenderers for the car park contract were asked to include the process to vet employees and their right to work in the UK. Internal Audit have reviewed the method statement for each of the three contractors being considered at the tender evaluation stage and confirmed that the suggested process would be adequate. We have therefore concluded that this recommendation has been implemented.

3.38 **New Priority one Recommendations**

3.39 **NNDR (Business Rates)**

3.40 The total amount of NNDR collectable for 2015/16 was £83.5m (net of revaluations, reliefs and discounts). Bromley's collection rate for 2015/16 was 99.0% against a target of 99.3%. Collection rate as at the 30/6/16 was 29.8% as compared to 31.2% at the same time last year.

However, the collection rate for 2015/16 was inflated by Retail Relief being applied to accounts at the commencement of the financial year. This form of relief ceased on the 1/4/16.

3.41 An internal audit of this area was completed in September 2016.

Testing of a sample of 10 refunds found that for all 10 a credit balance existed on the account. For 4 of these this was due to a revaluation of the property, for 5 it was due to a change in ratepayer liability and for one it was for a backdate of relief. The School applied for Mandatory Relief on 6 May 2015. Upon examination of the refund of £133,219 paid to the School on the 17th June 2015, for backdated charity relief, it was identified that the relief had been backdated to 1/04/2010 from the 26/05/15. This was despite the fact the School had only converted to an Academy on the 1/04/14 and therefore was not eligible for charity relief from before this date. The Auditor calculated that they were therefore not eligible to £103,499 of the £133,219 refund.

3.42 The Exchequer Contractor have written to the school asking for repayment of the £103,499 that has been considered by the School's Governing body but there has been no positive outcome to date. The Contractor has acknowledged the error and reimbursed Bromley Council for the sum of the overpayment. The debt will therefore be their responsibility to recover.

3.43 An internal investigation by the Exchequer Contractor management concluded that the above issue was the result of human error arising from the misinterpretation of the information provided within the application form. The matter is being dealt with through their internal supervisory and training procedures to ensure a similar situation does not arise in the future. Internal Audit reviewed a further 10 refunds to ensure that these were correct and this was the case.

3.44 The contractor have also reviewed their procedures and stated that:

- All staff have been written to advising of a revised procedure that all mandatory/void reliefs backdated more than 12 months are to be approved by a technical revenues officer/team leader before onward submission to clients for approval
- All staff are aware that backdates must be approved by clients before processing
- Discretionary, Section 44A and New Build reliefs are already approved by clients prior to processing regardless of value.
- Reports are in development by system admin to identify any reliefs on accounts with a backdate over 12 months for further checking
- Forms are in the process of being changed to include a 'date' field to which the customer requests relief from
- They are making enquiries with Northgate/Academy if any parameter exists to issue a 'warning' when a backdate is being entered greater than 12 months.

3.45 There were 4 other priority two and three recommendations relating to procedures, details of NNDR account holders, application of empty rate relief and availability of procedures to contract staff. We have given the audit a limited assurance.

3.46 **Community Infrastructure Levy**

3.47 This area has been audited for the first time. CIL is a levy that Local Authorities (including the Greater London Authority) can choose to charge on new developments in their area. The money can be used to support development by funding infrastructure that the council, local community and neighbourhoods want - for example new or safer road schemes, park improvements or a new health centre.

- 3.48 The Mayor of London's levy is intended to raise funds to pay for transport infrastructure. Bromley intends to implement its own CIL during 2017 to pay for Bromley's own infrastructure needs. The Mayor's levy applies to all new dwellings and new buildings and extensions proposing additional floor space of 100 square metres and above. The Mayor chose a charge of £35 per square metre for Bromley on the net additional increase in floor space of all developments. In 2014/15 a total of £1,273,723 was paid to TfL and in 2015/16 a total of £2,025,758 was paid to TfL, representing 96% of the CIL income collected by Bromley. At the end of June 2016 there were 24 cases where a Demand Notice for payment had been issued to developers and 261 cases where there is a CIL liability in the future.
- 3.49 There were two priority one findings
- 3.50 When a planning application is received, it should be identified whether or not CIL is liable, with the relevant 'Y' or 'N' box on the form ticked accordingly and confirmation that the measurements submitted are correct. We are aware from discussions with the CIL team and Local Land Charges Manager and email correspondence provided that there have been several recent cases where CIL liability has not been identified, which would have resulted in a loss of income to the Council and TfL. In these cases, if building work has already commenced, there is a risk that liability to pay CIL could rest with the Council. It is difficult to quantify how many similar applications which are CIL liable have not been identified in previous years. Since completing our audit testing we are aware that discussions have been held between the CIL team and Planning Development Control team, resulting in training to identify CIL liable applications being given to Planners.
- 3.51 Spot check visits have recently been carried out by the CIL team visiting properties which found that in three cases building work has already commenced but the Council has not been notified by the developer. Internal Audit also carried out spot check visits and found one property where building work had commenced and had been completed without notification to the Council. Details were provided to the CIL team. Where a chargeable development has commenced but LB of Bromley has not been notified, a surcharge equal to 20% of the chargeable amount payable or £2,500 can be imposed, whichever is the lower amount. Demand Notices and surcharges amounting to a total of £39,483 are being issued to the developers by the CIL team for the properties referred to above.
- 3.52 The audit report also had a number of P2 recommendations covering staff access to financial information, roles and responsibilities, notification of late payment surcharges, effective use of the Exacom system, charging for late interest payments, management information and recording of risks in the risk register. We have given this audit limited assurance.
- 3.53 For information, the level of future CIL liabilities at the end of the 2015/16 financial year amounted to £3,391,413. It should be noted that 96% (£3,255,756) if received, would be payable to TfL and 4% (£135,656) would be payable to LB of Bromley. LB of Bromley processed 184 CIL receipts during 2014/15 which was the third highest number of receipts London-wide and resulted in a total of £1,273,726 being paid to TfL.
- 3.54 Document Storage & Retention**
- 3.55 The audit related to records held internally as detailed on the information asset register and those records held off site in storage by the contractor.
- 3.56 There were two priority one recommendations relating to contract monitoring and invoice checking and secondly cumulative expenditure and the requirement to undertake a comprehensive review of documents in storage.
- 3.57 Contract monitoring and invoice checking-

- There are no quarterly contract monitoring meetings held, couple of ad hoc meetings have been held to discuss specific projects, but no regular quarterly meetings have been requested by the Authority, as there have been no issues or concerns that have warranted them. Therefore, no quarterly contract monitoring minutes are available.
- The Auditor was informed that the Contract Monitoring Officer was unable to confirm which records are stored at the Contractor's site only the number of boxes, but not their contents. Each department boxes up its own records and records the contents of each box.
- Management has indicated that there have been occasions when information has been requested from the Contractor, but has not been received.
- Each box should also detail a destruction date. Management have confirmed that there has only been one occasion where files have been destroyed by the Contractor when 200+ files were destroyed, but this was a few years ago.
- As detailed in section 9 of the call off agreement it states that the Authority shall be "entitled to regularly benchmark the Contract Price and performance of the Goods and Services, against other suppliers providing services substantially the same as the Goods and Services during the Contract Period" and additionally entitled to "shall be entitled to use any model to determine the achievement of value for money and to carry out the benchmarking evaluation". In the absence of any contract monitoring meetings and the limited information provided to support the invoices this has not yet been undertaken.
- The Auditor was advised that a cursory check of the Contractor's invoices is made to confirm whether there are any duplicated charges for which credits are received. The invoices are checked that they have roughly the same number of boxes and that it is in line with other months.
- The Auditor was informed that management had requested a report from the Contractor for a breakdown of the records held by each department and this information was provided on 26th September 2016.
- On reviewing the invoices, it was noted that there is no accompanying schedule that provides the corresponding breakdown of the records currently held for the invoice period. Additionally there is no supporting schedule providing a breakdown of the number of records currently held by each department.
- The call off agreement states under 13.2.2 that 'the Supplier shall ensure that each invoice contains all appropriate references and a detailed breakdown of the goods supplied and/or the services provided and that it is supported by any other documentation reasonably required by the Customer to substantiate the invoice'.

3.58 Cumulative expenditure and the requirement to undertake a comprehensive review of documents in storage-

- Back in 2011 due to the accommodation review, a decision was made to use the Contractor (through a framework agreement set up by L B Greenwich) to store records from each department. A breakdown of the expenditure showed that from June 2011 to December 2015 £121K under the previous contract and £81K under contract from January 2015 to September 2016 (through a GPS Framework). A total of £202K spent to date on storage costs with the contractor.
- Expenditure covers four cost centres CSC Business Support, Archiving, V&E Asset Management and the 'civic centre conversion of sports centre'.

- Departments are not reviewing the records currently held by the Contractor and ensure that any records no longer required are removed in compliance with financial regulations, as savings could be made by removing unnecessary storage costs. This has VfM implications. Additionally, there may be potential breaches of data protection by continuing to hold records no longer required.
- An extract from a report submitted to the Executive on 18th May 2016 states "The amount of storage space used for paper files must be reduced significantly. It will be necessary to reduce paper files in two tranches: prior to decanting staff so that building works can proceed and prior to re-occupation of the refurbished buildings.
- Departments who will be affected by any moves have been asked to review their document management strategies and consider which of their files can be destroyed, sent to off-site storage or scanned. Electronic storage is being encouraged for the future and the Civic Centre review interfaces with work currently being undertaken by I S Service".
- The amount of records held by the Contractor on the Authority's behalf continues to be on an upward trend. In light of the Civic Centre development, it is vital that departments review the records held in compliance with financial regulations and the retention policies. The impact of the Civic Centre development could result in a far greater number of records held by the Contractor on the Authority's behalf. Departments need to review the records held to determine if they still need to be retained and this will result in savings.
- Departments with the highest level of storage are detailed below:-

Development Control 1776 boxes
 Care & Resources 1706 boxes
 Referral & Assessment 1522 boxes
 Planning Strategy & Heritage 1107 boxes

3.59 There were three other priority two recommendations relating to classifications of records held in storage, procedures and retention schedules that were not updated. We have given the audit limited assurance. Management have accepted these recommendations for implementation with senior officers being tasked to oversee the process.

3.60 Learning Disabilities

3.61 The London Borough of Bromley manages the learning disability residential service for adults who have a learning disability and are Bromley service users. The services provided include Supported Living, Short Breaks, Live in care & Support, Shared Lives and Shared ownership schemes. The budget for Learning Disabilities (LD), 2015/16, was £23,942K; with an actual spend of £23,352K. The 2016/17 budget was set at £22,614K, the difference in the two years explained by £150K inflation, £130K changes in ILF arrangements and savings of £1.6m to be delivered by the LD service. The full year equivalent client numbers for the services reviewed in this audit was 498 for 2015/16 but this will vary during the year.

3.62 This service area was previously audited in 2013/14; the final report issued September 2013 gave a nil assurance audit opinion and 12 priority 1 recommendations. A management review and follow up audit review ensured that there was scrutiny for this service to improve the significant areas of weak control. Progress to implement the priority 1 recommendations was reported to Audit Sub Committee. The findings in this report have identified similar issues arising however it is acknowledged that the service have been through a difficult period of operation given management changes and turnover. The Head of Service post has been met by agency appointments, the most recent of which terminated in August 2016. The Department

have now transferred the Team Leader (Complex Team East) to manage the LD team and an initial meeting has been held with audit to discuss the issues arising.

3.63 There are three priority one recommendations:

3.64 Assessment: Examination of a sample of 15 clients identified three instances where a core assessment to identify the clients' needs was not carried out and in four instances where an eligibility test to determine the clients' eligibility for publicly funded care and support was not performed. Examination of the sample of 15 clients identified six instances where a client review was not carried out on an annual basis and seven instances where the core assessment was not reviewed every three years.

3.65 Care & Support Plans: It was identified that in 7 instances, the care plan was not reviewed on an annual basis; 3 instances without a core assessment in place and 11 instances where a care plan was not in place within 4 weeks of the core assessment being completed.

3.66 Service Agreements: Examination of 15 clients identified twelve instances where there was no evidence that the panel had authorised the agreements.

3.67 All three priority one recommendations have been accepted for implementation by management. There were no other recommendations. We have given the audit limited assurance.

3.68 **Audit Activity**

3.69 Members of this Committee were updated in November 2016 on our progress against the 2016/17 internal audit plan, completion of work brought forward from the 2015/16 plan and investigations. The period covered by the said update was April 2016 to October 2016. There is some slippage in the 2016/17 internal audit plan due to staff sickness and priority one findings arising from our planned audit work that are reported in this report and in Part 2 of the agenda. The returned audit satisfaction questionnaires indicate an overall average score of 4.3 out of 5 on finalised audit reports which is good.

3.70 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 and commencement on the 2016/17 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 and updating an e-learning training package in respect of fraud and corruption and risk management. A slide presentation on audit controls summarising our key findings with examples quoted.
- 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 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.

3.71 Waivers

3.72 Members of this Committee took the decision to only report on waivers sought under the Contract Procedure Rules 3 and 13.1 and to therefore exclude specific exemptions provided to officers under the Council's Scheme of Delegation which relate to social care placements. The list attached as Appendix B reflects waivers sought for the period March 2016 to October 2016.

3.73 As required by the Contract Procedure Rules (CPR) this Committee has to be updated on waivers sought across the Authority at six monthly intervals. The last update was reported to this Committee in April 2016 and covered waivers sought up to February 2016. The list is collated from the Heads of Finance for each of the Service areas and any information kept by the Chief Officers. Members are asked to review this list and comment as necessary preferably prior to the meeting so that officers can extract the details on queried waivers.

3.74 The waiver procedure has been simplified by issue of a guidance procedure that forms part of the Contract Procedure Rules. This documents defines a **Waiver** as – **“the dispensation of the need for compliance with a particular requirement of these Contract Procedure Rules”**

Where the estimated value of this requirement is likely to exceed;

- **£50k** The Agreement of the Chief Officer needs to be obtained; The matter also needs to be included in the bi-annual report submitted to Audit Sub Committee;
- **£100k-£1m** The Chief Officer in Agreement with the Director of Corporate Services and the Director of Finance together with the Approval of the Portfolio Holder. The matter also needs to be included in the bi-annual report to Audit Sub Committee;
- **£1m and Above** The Chief Officer in Agreement with the Director of Corporate Services and the Director of Finance together with the Approval of the Executive or Council as appropriate.

3.75 There is currently an ongoing internal audit of waivers following changes to the process.

3.76 Publication of Internal Audit Reports

3.77 At the last meeting of this Committee we reported our eight batch of Internal Audit reports finalised since March 2014 that was published on the web. In total 135 reports were publicised on the web. Three exemptions are being sought for this cycle that is explained in part 2 of this agenda.

3.78 Since the last cycle of this Committee we have published a further 19 redacted final reports (listed below) making a total of 154 since publications first started. At the request of Members of this Committee we have included the audit opinion given to each audit. Follow up audits for implementation of previous recommendations are not given an opinion.

Audit Opinion

- | | |
|------------------------------|-------------|
| • Biggin Hill and the Glades | Substantial |
| • Building Control | Substantial |

• Children with Mental Health	Substantial
• Dorset Road Infants School	Substantial
• Carelink	Limited
• St Georges CE Bickley Primary School	Substantial
• Troubled Families	Substantial
• Insurance	Substantial
• Follow up of Exchequer Contract	Not applicable
• Payroll Audit 2015/16	Limited
• St Anthony's RC Primary School	Substantial
• Document Storage and Retention	Limited
• NNDR	Limited
• Community Infrastructure Levy	Limited
• Learning Disabilities	Limited
• Review of the Confirm System	Substantial
• Review of Environmental Protection	Limited
• Review of Creditors	Substantial
• Follow up Stray Dogs Contract	Not applicable

3.79 For definitions of audit opinions see below:

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

- Nil 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.

3.80 Public Sector Internal Audit Standards (PSIAS)/ Quality Assurance Improvement Programme (QAIP)

3.81 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 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 we were assessed 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. There was a recommendation that the Internal Audit Charter be updated and approved by this Committee. This was completed and approved by Members in July 2016.

3.82 Additionally there was also a recommendations arising from the assessment to have a QAIP in place that at was last approved by this Committee in June 2013. The proposed QAIP is attached as Appendix C and relates primarily to assessing the quality of internal audit reports for all audits stating in 2017. Members are asked to note and comment on the appendix.

Other recommendations from the peer review relating to staff, continuous professional development and a service level agreement with RB Greenwich have been or will be addressed.

3.83 Housing Benefit- Update on Referrals to the DWP

3.84 At the last meeting of this Committee we reported that a total of 193 cases were referred to the Single Fraud Investigation Service (SFIS) team of the DWP since the transfer of housing benefit fraud on the 1st July 2015. Since April 2016 to October 2016 136 cases have been referred to SFIS. We have been advised that there have been no prosecutions on these referrals in 2016/17, however, 3 cases are awaiting decision by the Crown Prosecution Service (CPS). They have advised that they have recommended 25 administrative penalties for authorisation by Bromley in 2016/17 based on our referrals. Bromley have recorded a total of 18 administrative penalties raised although there was some confusion initially over the authorisation process and also possible timing differences. The DWP have stated that they completed 3 prosecutions in 2016/17 in respect of Bromley claimants that were not referred by us with a further 6 cases awaiting decision by the CPS.

3.85 Members had previously agreed that given the absence of any agreement with the DWP for joint prosecutions we should proceed to investigate and prosecute the Bromley fraud element of these cases where appropriate for council tax support if the overpayment exceeds £3,000 or below if there are some cases of blatant fraud e.g. submission of false documentation. We have already implemented this and some prosecutions are pending.

3.86 Appointment of External Auditors

3.87 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. 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 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. Public Sector Audit Appointments Ltd (PSAA) have attained accreditation to be an appointing person under the requirements of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) from the Secretary of State. PSAA is the company managing the current external audit contracts since the Audit Commission closed. PSAA have offered local authorities including LB Bromley to become an opted in authority by 9th March 2017. It is believed that the majority of London Boroughs including Bromley will sign up although this is subject to an ongoing survey. The decision to go through PSAA requires full council approval by January 2017. Members of this Committee are asked to approve this course of action.

3.88 **Annual Audit Letter**

The annual audit letter for 2015/16 issued by the external auditors is attached as Appendix D. The headlines to note are the conclusions on VFM that has an except for (Children’s Services and Youth Offending) that in all significant respects the London Borough of Bromley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016; VFM risk areas that identified two areas to note –Financial Resilience and Better Care fund; Audit Opinion that was unqualified; and Financial Statement Audit that concluded that the accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the code and that the Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.

- 3.89 There was one high priority recommendation on the need for a separate pension fund bank account and the management response. Members are asked to note the report.

3.90 **Letter of Representation**

- 3.91 The Letter of Representation is attached to this report for information. It sets out the key undertakings given by the Director of Finance to the External Auditors in relation to the 2015/16 Statement of Accounts, the information provided, accounting policies, fraud and non-compliance with laws and regulations, related party transactions, employee benefits, contractual arrangements/agreements, litigation and claims, taxation, using the work of experts, pension fund assets and liabilities, pension fund registered status, retirement benefits, provisions, assets and liabilities, valuation of land and buildings, disclosures and items specific to local government. Members are asked to note the Letter of Representation attached as Appendix E.

- 3.92 **Code of Transparency-** the Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015. The Code sets out key principles for local authorities in creating greater transparency through the publication of public data. The Government believes that local people are interested in how their authority tackles fraud and have introduced a mandatory requirement in respect of fraud data. Attached as Appendix F is our publication on the web of the fraud statistics for 2015/16.

3.93 **Head of Audit**

- 3.94 The current Head of Audit has indicated an intention to retire in March 2017. In order to ensure a seamless transfer a recruitment process has already begun with the job being advertised at the time of writing this report. Members will be updated on the outcome of the process to recruit.

3.95 Objection to the accounts

3.96 At a previous meeting of this Committee (April 2016) we summarised the three ongoing objections to the accounts i.e. legality of our parking enforcement contract (mainly around the use of incentives and performance targets contained within the contract); bailiff enforcement that Bromley allowed unlawful fees and costs to be incurred in the execution of warrants for parking/traffic debt); and London Councils (we have incurred unlawful expenditure in the provision of the Parking on Private Land Appeals service). This had resulted in the accounts for 2012/13, 2013/14 and 2014/15 remaining open and costs escalating to a current total of £60k. The work of the previous external auditors has been concluded and the objections are now closed. There have been no objections to the 2015/16 accounts audited by KPMG our current external auditors. The final cost to LB Bromley for this whole process is estimated to be £64K.

3.97 HMRC Update

3.98 At the last meeting of this Committee Members had been informed that there had been a referral from Full Council to Audit Sub Committee reference to the HMRC audit that resulted in a surcharge to Bromley of £343K for the use of consultants. This Committee agreed that the Director of Human Resources should email an update concerning the new procedures being put in place for the use of consultants Members of the Audit Sub Committee as soon as possible. This has been actioned. Internal Audit will audit this area against these procedures in the 2016/17 payroll audit.

3.99 Training

3.100 Internal Audit met with the Corporate Leadership Team (CLT) to go through the three training/awareness packages that are to be launched having completed the testing. There are three training packages:

- Audit Controls - This is a slide presentation of 16 slides lasting about 30 minutes explaining the purpose, type of recommendations made and key findings with examples. The purpose is to promote awareness of audit issues- without the need for a question and answer session and will be rolled out to all staff.
- Fraud and Corruption- this has been updated to take in to account the latest developments in fraud. It is a web based training package that links to key documents such as the Anti-Fraud and Corruption Strategy. There is a brief question and answer session after each chapter. The purpose of the exercise is to promote fraud awareness and encourage staff to raise concerns should the need arise. The session should last about 30 minutes and will be rolled out to all staff.
- Risk Management- this is a web based training package to promote risk awareness and a risk culture. It has been substantially revised to take in to account all the changes in risk management. There is a question and answer included in the package. The package is estimated to be 40 minutes in duration. At this stage it is expected that it will be rolled out to management.
- All the above packages may be supplemented with brief training sessions.

3.101 Risk Management Update

3.102 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. Members were presented with the revised high and significant net risks and were satisfied with the revised presentation of these risks.

There have been a number of developments since we last reported primarily arising from the Ofsted inspection of Children's Services which was deemed to be inadequate in a number of areas. The Commissioner appointed to Children's Services for LB Bromley stated in her report dated September to the Secretary of State for Education that:

'Other corporate processes designed to pick up issues of concerns were inadequately used, including the Council's internal audit and risk management processes. In 2014, two internal audit reports rated the Fostering and Adoption and the Leaving Care services as having 'nil assurance' while the Looked After Children service was rated as having 'limited assurance'. High priority recommendations from those reports were allowed to slip significantly, only getting sign off in April 2016. While the audits take a financial view rather than a case quality view of these services, it is still surprising that corporate procedures did not do more to chase the implementation of the audit recommendations. Corporate procedures also do not check that effective risk assessment is in place in Directorates. Even well after the inspection, in July 2016, safeguarding children risks had not been highlighted as high enough for corporate attention in the risk register.'

3.103 The risk register and identification of risk has been discussed at length by the Corporate Leadership Team with the following actions being proposed:

- Risk Management will be the direct responsibility of the Director of Finance.
- Internal Audit will continue to coordinate risk management arrangements, update the risk register and provide training as described elsewhere in this report.
- The Corporate Risk Management Group (CRMG) will continue and issues arising will be reported to the Corporate Leadership Team and this Committee.
- The key audit findings i.e. priority one issues that are reported to this Committee will be linked into the risk register.
- All the key internal controls held by Internal Audit used as a basis for our audit coverage in each auditable area, will be loaded on the intranet, available for management to assess in terms of covering all potential risks.
- Risk Management training for staff is being progressed.
- Liaison with ECHS who are currently reviewing their risk register. The outcome to date is reflected in the increased numbers of high and significant risks which are attached as Appendix G.

3.104 Full details of all the current high and significant net risks, including controls, actions and financial implications are attached as Appendix G. We also attach a copy of the risk management guidelines as Appendix H.

3.105 Corporate Risk Register – It was agreed that the corporate should be published on the web. The register was updated and reported to this Committee in April 2016. The register had 7 key areas but since then we have had the outcome of the Children's Services Inspection and an 8th heading has been added to reflect the risks in this area and the corporate requirement to address this. Members are asked approve the revised document attached as Appendix I before it is loaded on the web.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

The contents of this report have implications for both adults and children in respect of cost and also care requirements in for instance learning disabilities.

5. POLICY IMPLICATIONS

None

6. FINANCIAL IMPLICATIONS

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

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.

8. LEGAL IMPLICATIONS

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

9. PROCUREMENT IMPLICATIONS

The contents of this report have implications for procurement relating to contract procedure rules, financial regulations and VFM issues.

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

Report Number/Date	Title	Opinion	No. of Priority One's	Details of original Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
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	Director of Adult Social Care	Testing undertaken showed that this remains outstanding. See part 1 progress report.	High
ENV/003/01/2015	Waste Services Audit	limited	10s	Part 2	In progress	Head of Waste services and Contracts Manager (Waste & Refuse service)	Part 2 update on current audit	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. Financial Assessments should be undertaken regularly.	In Progress	Exchequer Manager/Care Management	Testing undertaken showed that this remains outstanding. See comments in progress report.	High
ECH/031/02/2016	Manorfields	NA	10/s	2 priority one recommendations in respect of document retention and compliance with contract procedure rules.	In progress	Asst Dir. Housing Needs	See progress report for update. Document retention has been implemented by actions taken generally within the authority-awareness through rolling out a training package titled 'Audit Controls'; highlighting this specific issue with Contract sub Committee and E&R PDS; and including this issue within a report titled 'Contract Monitoring and Contract Management' prepared by the Director of Commissioning Services for discussion at Corporate Leadership Team. The recommendation relating to compliance with CPR remains outstanding pending a review of capital works undertaken by Housing	High
CX/063/01/2016	NDR	Limited	1	A refund of £103,499 incorrectly given to Scott's Park Primary School following its conversion to an Academy.	In progress	Head Of Revenues and Benefits	The Academy has been contacted and recovery is being sought. Liberata have refunded Bromley the the whole overpayment sum, ensuring no loss incurred as a result of any failure to recover the full amount. A biannual review of charity reliefs awarded is undertaken by Bromley.	High

Report Number/Date	Title	Opinion	No. of Priority One's	Details of original Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
ECH/010/01/2015bf	Learning Disabilities	Limited	3	1. Core assessments not in place, eligibility assessment not performed, delays in reviews, incomplete documents 2. care plans not reviewed annually, no disability core assessment and care plans not in place within 4 weeks of the assessment. 3. no evidence that panel had authorised agreements	In Progress	Director of Adult Social Care	See progress report	High
CX/085/01/2016	Community Infrastructure Levy	Limited	2	1. When a planning application is received, it should be identified whether or not CIL is liable, with the relevant 'Y' or 'N' box on the form ticked accordingly and confirmation that the measurements submitted are correct. It is not known how many applications which are CIL liable have not been identified in previous years. 2. A formal programme of periodic spot check visits should be put in place to identify any properties where building work has commenced but the Council has not been notified. The liable persons of any properties which are identified should be issued with a Demand Notice and a penalty charge invoiced.	In progress		See progress report	High
CX/025/01/2016-17	Document Storage & Retention	Limited	2	1. Contract monitoring and invoice checking are not robust. 2. Cumulative spend on this contract continues to rise.	In progress	Assistant Director, Leisure & Culture.	See progress report	High
ECH/035/01/2016	Direct Payment - Learning Disabilities Client	N/A	2	Part 2	In progress	Director of Adult Social Care	Part 2	High
ECH/031/01/2016	Temporary Accommodation	Limited	3	Part 2	In progress	Assistant Director, Housing	Part 2	High
The following priority one recommendations have been implemented: None see comments column above								
Domiciliary Care Audit - Both Priority One Recommendations have been satisfactorily implemented								
Creditors- the outstanding recommendation has been implemented. See progress report for information								
Benheim Primary School - the priority one relating to contractual arrangements has been implemented. See progress report.								
Stray Dogs Contract-of the 9 P1 recommendations 6 have been fully implemented and three reduced from P1 to P2 as a result of progress made.								
Manorfields - 1 recommendation on document retention has been implemented.								
Crystal Palace Park Skate Park and Shadow Board Recruitment Projects - Priority 1 relating to completion of the contract award document has been implemented see part 2								
Penalty Charge Notices - Priority 1 relating to the procedure for the contractor to check and verify new starters has been implemented. See progress report								
Temporary Accommodation - the recommendation relating to reconciling income due from Orchard and Shipman has been implemented								
Emergency Accommodation and Rent Accounts- the recommendation relating to high levels of rent debt has been included within the Temporary Accommodation Audit above								

Waivers - From February 2016 to September 2016

APPENDIX B

Waivers > £50,000

DIRECTORATE	SERVICE AREA	CUMULATIVE VALUE	ANNUAL AMOUNT	NO OF PREVIOUS WAIVERS	VALUE OF PREVIOUS WAIVERS	DETAILS- PARTICULARS FOR SEEKING WAIVER	PERIOD FROM	PERIOD TO	APPROVAL
Environment and Community Services	Public Protection	£80,217	£16,000			Procurement of Norsonic Acoustic equipment for the provision of statutory services.	01/04/15	31/03/2017	Assistant Director ECS, Director ECS, Director of Corporate Services and Director of Finance
Environment and Community Services	Libraries	£617,000	£84,000			Cleaning services for 14 libraries	01/09/15	31/03/2017	Assistant Director ECS, Director ECS, Director of Corporate Services and Director of Finance
Chief Executives	Human Resources	£160,000	£160,000			Purchase of corporate vouchers for the merit reward scheme	01/06/16	31/05/17	Director of HR, Director of Corporate Services and Director of Finance
Education, Care and Health Services	Workforce Development	£58,000	£10,000	1	£18,000	Spot purchase of AMHP refresher training as required for Adult Social Care staff working in the Mental Health service.	01/05/16	31/03/20	Assistant Directors Adults Social Care and Commissioning, Director of Corporate Services and Director of Finance
Chief Executives	Technical and Control	£160,000	£40,000	1	£80,000	Loss adjusting services for the negotiation and settlement of insurance claims; two companies maximum of £20K each pa.	01/04/16	31/03/18	Director of Finance and Director of Corporate Services
Education, Care and Health Services	Complex Needs Team	£436,950	£436,950 (contribution of £106,000 from Bromley CCG)			A service to support children with health care needs in mainstream school settings who do not have Statements of Education, Health & Care Plans to support . Multiple minor contracts with no single award exceeding £17,700	01/04/16	31/03/17	Director of Education, Assistant Director, Commissioning, Director of Corporate Services and Director of Finance
Education, Care and Health Services	Special Education Needs	£105,000	£15,000	4	£90,000	Provision of parental involvement in the SEND reforms; to provide parental support and focus groups, coordinating policy and practice	01/04/16	31/03/17	Director of Education, Assistant Director, Commissioning, Director of Corporate Services and Director of Finance
Education, Care and Health Services	Commissioning	£239,198	£18,407	6	£220,791	Provision of a specialist worker to support both people with learning disability and their elderly carers/parents	01/04/16	31/03/17	Assistant Director, Commissioning, Director of Corporate Services and Director of Finance

DIRECTORATE	SERVICE AREA	CUMULATIVE VALUE	ANNUAL AMOUNT	NO OF PREVIOUS WAIVERS	VALUE OF PREVIOUS WAIVERS	DETAILS- PARTICULARS FOR SEEKING WAIVER	PERIOD FROM	PERIOD TO	APPROVAL
Education, Care and Health Services	Procurement and Contract Complainece	£232,672	£20,246	7	£212,426	A self advocacy group which supports people with a learning disability who live in or are about to move to a supported living service	01/04/16	31/03/17	Assistant Director, Commissioning, Director of Corporate Services and Director of Finance
Education, Care and Health Services	Commissioning	£200,000	£20,000	6	£180,000	Provision of peer support to adults with a learning disability who live in Bromley	01/04/16	31/03/17	Assistant Director, Commissioning, Director of Corporate Services and Director of Finance
Education, Care and Health Services	Pre School Specialist Support and Disability Services	£225,700	£225,700			To provide one to one support in mainstream pre school settings for children with complex additional needs andor disabilities. Multiple awards but no single award expected to exceed £5,800 per child pa	01/04/16	31/03/17	Director of Education, Assistant Director, Commissioning, Director of Corporate Services and Director of Finance
Education, Care and Health Services	Commissioning	£566,920	£48,718	7	£518,202	To provide a Hearing Impairment Resource Centre that delivers advice, support and services to people who are deaf, deaf-blind, deafened and hard of hearing in Bromley	01/04/16	31/03/17	Assistant Director AdultsSocial Care, Assistant Director Commissioning, Chief Executive, Director of Corporate Services and Director of Finance
Education, Care and Health Services	Specialist Support and Disability Service	£123,000	£20,000	6	£103,960	Provision for young people's involvement in the SEND reforms, focus/work groups	01/04/16	31/03/17	Director of Education, Assistant Director Commissioning, Director of Corporate Services and Director of Finance
Education, Care and Health Services	Public Health	£66,000	£23,000	1	£43,000	Services to offer a safe and secure point of collection and return of drug injecting paraphernalia and secondly supervised dispensing to specific client groups	01/04/16	31/03/17	Assistant Director Commissioning, Director of Public Health, Director of Corporate Services and Director of Finance
Education, Care and Health Services	Commissioning	£60,657	£4,792	7	£46,610	Provison of a drop in centre for people aged over 16 with a learning disability	01/04/16	31/03/19	Assistant Director Commissioning, Director of Corporate Services and Director of Finance

DIRECTORATE	SERVICE AREA	CUMULATIVE VALUE	ANNUAL AMOUNT	NO OF PREVIOUS WAIVERS	VALUE OF PREVIOUS WAIVERS	DETAILS- PARTICULARS FOR SEEKING WAIVER	PERIOD FROM	PERIOD TO	APPROVAL
Education, Care and Health Services	Bromley Childrens Project	£190,230	£8,300	4	£157,030	Management information system for ongoing support of data capture and reporting requirements	17/02/16	31/03/20	Assistant Director Childrens Services, Assistant Director Commissioning, Director of Corporate Services, Director of Finance and Portfolio Holder
Education, Care and Health Services	Bromley Childrens Project	£54,728	£2,200	contracts prior to 2014 were put in place by centre managers	£44,048	Provision of an offensive waste removal service and barrier mats to children and family centres	01/04/16	31/03/19	Assistant Director Children's Services, Assistant Director Commissioning
Education, Care and Health Services	Strategic, Education Capital and Client Services	£456,954	£456,954			Multi use games area at Trinity College C of E Primary and Midfield	01/06/16	31/10/17	Director of Education, Director of Corporate Services, Director of Finance, Portfolio Holder

It should be noted that ECHS have referred the following waivers to Care Services Portfolio Holder for approval:-

- Commissioning of services for blind and partially sighted
- Strategic partners - contract alignment
- Support services to children at risk of sexual exploitation
- Supported Living - learning disability scheme
- Welfare benefits advice services
- 14-16 english as an additional language provision to Bromley College
- Housing IT system

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Audit title	
Audit reference	

Review check and reference to related area of PSIAS	Yes or No (If 'No' provide comments)	Action taken by HIA (if required)
Were the key risks identified from the risk register and added to Galileo? PSIAS – 2120 Risk Management & 2210 .a1 Engagement Objectives		
Was a process map, system description or documented procedures drawn up (or available from management) showing the processes and controls in place? PSIAS - 2130 Control		
Did the Galileo controls and tests matrices align to the terms of reference for coverage? PSIAS - 2240 Engagement Work Programme		
Were the terms of reference and controls and tests approved by the HIA? PSIAS - 2340 Engagement Supervision		
Was the testing approach: <input type="checkbox"/> Clearly defined for each control? <input type="checkbox"/> In line with internal guidance e.g. method, sample size and selecting a sample? PSIAS - 2320 Analysis and Evaluation		
Was Galileo completed (controls and tests) with sufficient evidence and detail to allow another auditor to reach the same conclusion? PSIAS - 2310 Identifying Information		
Were all audit findings identified through fieldwork raised and concluded appropriately? PSIAS - 2320 Analysis and Evaluation		
For each audit finding/issue was the correct risk identified? PSIAS - 2320 Analysis and Evaluation		

Review check and reference to related area of PSIAS	Yes or No (If 'No' provide comments)	Action taken by HIA (if required)
Were review points raised and were they adequately addressed and signed off? PSIAS - 2340 Engagement Supervision		
Were the: - Draft and final reports approved by the HIA prior to issue? Is sufficient evidence of approval held on shared drive eg version changes of the report and accompanying emails from the HIA)? PSIAS - 2340 Engagement Supervision		
Is it clear how the auditee management's response to the draft report has been addressed (eg emails, meeting notes)? PSIAS – 2420 Quality of Communications		
Did the management action plan address satisfactorily the findings/issues? PSIAS - 2320 Analysis and Evaluation		
Did the final report reconcile to the terms of reference? PSIAS – 2400 Communicating Results		
Were the findings/issues updated in Galileo to reflect the final report? PSIAS – 2330 Documenting Information		
P 200 1. Was a customer satisfaction questionnaire issued? 2. Was it received back completed? 3. If not, was it chased? 4. If completed, were the results/scores/comments recorded on Galileo? 5. If there were any adverse comments, were they dealt with by the HIA?		

Reviewed by	
Review date	



Annual Audit Letter 2015/16

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London Borough of Bromley

—

October 2016



Contents

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Report sections

— Headlines

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Appendices

1. Key issues and recommendations

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2. Summary of reports issued

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3. Audit fees

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Phil Johnstone, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This Annual Audit Letter summarises the outcome from our audit work at the London Borough of Bromley in relation to the 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

<p>VFM conclusion</p>	<p>We issued a qualified 'except for' conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 22 September 2016.</p> <p>During 2015/16 the Council received a report from Ofsted rating children's services as 'inadequate' and a report from HM Inspectorate of Probation rating Youth Offending Teams as 'poor' overall. The Ofsted report made reference to the fact that strategic leaders did not have a comprehensive understanding of services being provided, and noted that there had been a significant deterioration in services since 2010, with children being left in negative home situations for too long because of a poor understanding of the risk identification and reduction process. The HMIP report noted that reoffending and custody rates had risen. This was partly driven by a lack of partnership working in place which was worsening the outcomes for children, particularly Looked After Children, and the separation of strategic and operational management was not working effectively. With the exception of these matters we are satisfied that in all significant respects the London Borough of Bromley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.</p>
<p>VFM risk areas</p>	<p>We undertook a risk assessment as part of our planning work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks. Our work identified the following significant matters:</p> <ul style="list-style-type: none"> — Financial resilience - The Council plans to deliver £26m of savings over the four years covered by the Medium Term Financial Strategy, which will prove challenging in the context of increasing cost pressures and reducing budgets. — Better Care Fund - The Council and Bromley CCG have established a Joint Integrated Commissioning Executive (JICE) to oversee and deliver the schemes set out in the BCF. The total shared BCF managed by the JICE is £20.8m and as the arrangements are new, crossing the health and social care boundary with organisations who have different legal structures, there is a risk that the governance and accounting arrangements may not be well developed to manage this partnership arrangement appropriately.
<p>Audit opinion</p>	<p>We issued an unqualified opinion on the Authority's financial statements on 22 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the pension fund.</p>
<p>Financial statements audit</p>	<p>There were no significant audit adjustments identified as part of our work. We received complete draft accounts in June 2016 in accordance with the DCLG deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the code.</p> <p>The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p>

Headlines (cont)

We have not yet issued our audit certificate for the 2015/16 year as there are objections from previous years outstanding with the previous auditor.

Other information accompanying the financial statements	Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and required only minor updates.
Pension fund audit	There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.
Whole of Government Accounts	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.
High priority recommendations	We raised one high priority recommendation as a result of our 2015/16 audit work. This is detailed in Appendix 1 together with the action plan agreed by management. This recommendation related to the requirement for the Authority to use a separate pension fund bank account in order to maintain compliance with legislation. This recommendation was not accepted by the Authority, although it is noted that this will be continually reviewed.
Certificate	We have not yet issued the certificate which confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice. This is because there is an objection outstanding from a prior year with the previous auditor which is currently being considered. This means that we are not yet able to issue our certificate.
Audit fee	Our fee for 2015/16 was £119,076, excluding VAT. This is in line with the fee highlighted within our audit plan agreed by the Audit Sub-Committee in April 2016 and the scale fee set by PSAA Ltd. Further detail is contained in Appendix 3.

Appendix 1: Key issues and recommendations

We have raised one high priority recommendation as part of our work, detailed here.

No.	Issue and recommendation	Management response / responsible officer / due date
1	<p>Pension Fund Bank Account</p> <p>The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require that all pension schemes have their own back account.</p> <p>Although a separate bank account has been set up for the Fund, it is not being used. As a result, the Fund is not fully compliant with the requirements of the legislation. This is a point consistent with the prior year.</p> <p>Recommendation</p> <p>We recommend that the pension fund bank account is put into use in order that the pension fund is fully compliant with all regulations.</p>	<p>A cost benefit analysis was carried out during 2013/14 and has been reviewed. Details were provided to Members of Audit Sub-Committee in January 2015. It remains the view of management that there is little to be gained from using a separate Pension Fund bank account. Whilst the External Auditors are required to raise this matter as a non-compliance issue, management are satisfied that there is a robust coding structure in place which sufficiently separates out the pensions transactions in an effective manner.</p> <p>Responsible Officer: Principal Accountant</p>

Follow up of previous recommendations

As part of our audit work we followed up on the Authority's progress against previous audit recommendations. We are pleased to report that the Authority has taken appropriate action to address the majority of the issues highlighted through the previous year ISA260 report issued by PWC. There were two recommendations raised by PWC which had not been implemented:

- Use of the pension fund bank account: This was not agreed by the authority in the previous year, and has been re-raised as a high priority recommendation as part of our work in 2015/16 (re-iterated above).
- Gross internal area and use of Uniform to track the gross internal area of buildings: This was not agreed by the authority in the previous year.

Appendix 2: Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Audit-Sub Committee or General Purposes and Licensing Committee pages on the Authority's website at www.bromley.gov.uk.

External Audit Plan (April 2016)

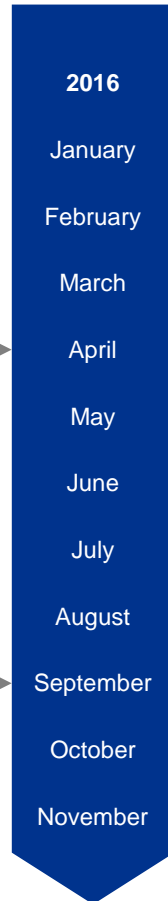
The External Audit Plan set out our approach to the audit of the Authority's financial statements and to work to support the VFM conclusion.

Audit Fee Letter (April 2016)

The Audit Fee Letter set out the proposed audit work and draft fee for the 2016/17 financial year.

Auditor's Report (September 2016)

The Auditor's Report included our audit opinion on the financial statements including the pension fund accounts along with our VFM conclusion.



Report to Those Charged with Governance (September 2016)

The Report to Those Charged with Governance summarised the results of our audit work for 2015/16 including key issues and recommendations raised as a result of our observations. We also provided the mandatory declarations required under auditing standards as part of this report.

Annual Audit Letter (October 2016)

This Annual Audit Letter provides a summary of the results of our audit for 2015/16.

Appendix 3: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

External audit

Our final fee for the 2015/16 audit of the Authority was £119,076 plus VAT, which is in line with the planned fee..

Our final fee for the 2015/16 audit of the Pension Fund was in line with the planned fee of £21,000 plus VAT.

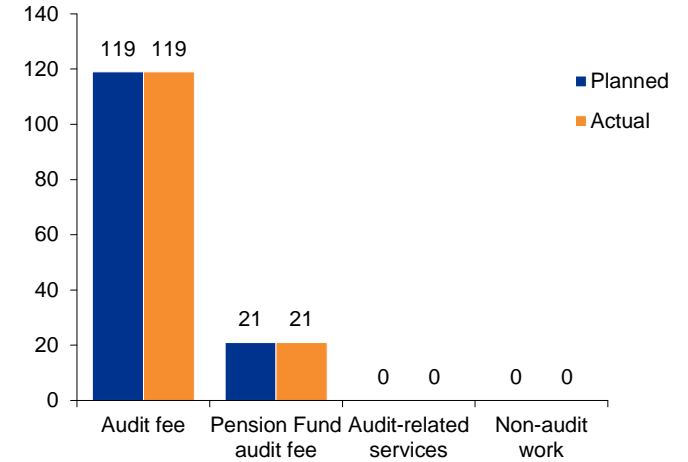
Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2017.

Other services

We did not charge any additional fees for other services.

External audit fees 2015/16 (£'000)





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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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KPMG LLP
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14th September 2016

Dear Phil

This representation letter is provided in connection with your audit of the financial statements of *the London Borough of Bromley* ("the Authority"), for the year ended 31 March 2016, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;
- ii. whether the Pension Fund financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- iii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, and the related notes. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

- i. give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;
- ii. give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016, other than liabilities to pay pensions and other benefits after the end of the scheme year;
- iii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;

- employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
11. The Authority confirms that:
- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,

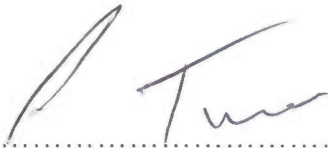
have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

13. The Authority provides the following specific representations:

- The valuation of land and buildings within the financial statements (net book value of £324 million) is appropriate and reflects all relevant factors impacting upon valuation, including the measurement of the gross internal area of buildings.

This letter was tabled and agreed at the meeting of the General Purposes and Licensing Committee on 14 September 2016.



.....
Peter Turner, Director of Finance

.....14/9/16.....
Date



.....
Councillor Tim Stevens J.P.
Chair of the General Purposes and Licensing Committee

.....14/9/2016.....
Date

Appendix to the Authority Representation Letter of the London Borough of Bromley: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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Transparency Code

The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015. The Code sets out key principles for local authorities in creating greater transparency through the publication of public data. The Government believes that local people are interested in how their authority tackles fraud and have introduced a mandatory requirement in respect of fraud data.

This dataset provides information on London Borough of Bromley counter fraud work. Details are provided to meet the Local Government Transparency Code 2015 requirements.

The table below shows activity in respect of the required data for 2015/16.

Information	Figures for 2015-16
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 201432, or similar powers	Social Security Fraud Act 2001- 36 and Fraud Act- 6
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	2 full time equivalent
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	2 full time equivalent
Total amount spent by the authority on the investigation and prosecution of fraud	£165,000
Total number of fraud cases investigated	4686
Total number of cases of irregularity investigated	4686
Total number of occasions on which a) fraud and b) irregularity was identified	1090
Total monetary value of a) the fraud and b) the irregularity that was detected	£1,183,767
Total monetary value of a) the fraud and b) the irregularity that was recovered	£486,868

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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	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
ECHS/1	Education, Care and Health Services	All ECHS Divisions	All ECHS Sections
Risk / Consequences and Risk Category	ECHS Financial Strategy <ul style="list-style-type: none"> - Failure to deliver the ECHS Financial Strategy - Continual reduction in Central Government funding - Demographic changes - Increased demand for services - Failure to secure economy, efficiency, and effectiveness of use of resources leading to a Qualified Independent Auditors' Report 		
Risk Owner	ECHS DMT		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
5	5	High	25
Existing Controls	Controls <ul style="list-style-type: none"> - Budget monitoring and forecasting - Regular review of medium term strategy - Regular reporting to DMT, Care Services PDS and Education Budget Sub Committee - Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money - Monitor demographics, economic indicators and develop insight into future demand - Match financial planning to Council priorities - Internal audit framework 		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
5	4	High	20
Proposed Actions			
Financial Implications	As at the end of August 2016 the Care Services Portfolio is estimated to overspend by £5,877k in 2016/17 with a full year effect of £4,682k. The Education Portfolio Schools' budget is predicted to underspend by £104k during 2016/17 with the Non Schools budget predicted to overspend by £1,087k ----- Adult Social Care - £1,814k overspend with the main areas being:- Assessment and Care Management - £827k This is in the main due to Placements/Domiciliary Care/Direct Payments for 65+ where client numbers are currently above the budgeted figure. Learning Disabilities - £827k Mental Health - £305k		

	<p>These are in the main down to placement projections, assumptions regarding transition clients and efficiency savings yet to be identified.</p> <p>These areas also have significant savings targets for 2016/17. At this stage in the financial year, the projections continue to include a level of assumptions around management actions and other uncertainties such as increased care needs, carer breakdowns, attrition, health funding, and start dates for new packages etc.</p> <p>The overspend in this area has been partially offset by the use of Better Care Funding for the protection of social care.</p> <p>Increasing complexity of adult social care users' needs is being seen as they come through to social care later in their pathway. Additional posts are being recruited to in the Reablement Service which should increase capacity to manage around 50/55 service users per month.</p> <p>-----</p> <p>Children's Social Care - £3,915k overspend Assumptions for additional starters and leavers have been made throughout the year.</p> <p>There are significant savings targets in Children's Social Care and whilst some have already been banked, not all appear to be being delivered currently.</p> <p>There has also been pressure on obtaining suitable carers from independent foster care placements due to lack of supply and therefore other, more expensive, alternatives have had to be arranged.</p> <p>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.</p> <p>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>Staffing costs have risen sharply with a predicted £938k overspend. This is in the main due to more costly locum staff being used to cover vacant posts. Actions include continuing the recruitment drive, transferring locums to permanent contracts and freezing of non essential posts.</p> <p>A range of urgent management action have been put in place have been put in place to reduce expenditure without compromising child safety . All placements have to be signed off by the Assistant Director, Children's Social Care.</p> <p>Education SEN Transport - £1.233m overspend due to a number of factors including:</p> <ul style="list-style-type: none"> - New route schedule for September not realising any further efficiencies - Further increases in numbers as the financial year has
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	<p>progressed, especially in primary age children Shift from placing children at independent boarding placements to independent day placements. Whilst this generally helps ease pressures in the Dedicated Schools Grant (DSG), it results in an increased number of journeys which has an impact on the Council's core funding - Increased levels of need of children using the SEN transport service, especially in the early age groups</p> <p>Housing Temporary Accommodation (TA) (Bed and Breakfast) in 2016/17 is forecast to be £538k overspent. There is, however, funding available in the central contingency 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 17 per month expected during the remainder of the financial year, this is assumed within the financial projections. There are other pressures emerging in Housing including £125k relating to the cost of storage of furniture of clients going into temporary accommodation and £75k relating to the high cost of utilities at one of the traveller sites. Although there is a full year effect of this overspend, this again will be dealt with through the drawdown of contingency.</p> <p>Public Health The current variance in Public Health is zero. This area has recently seen a reduction in grant funding and has significant savings targets for 2016/17 which are being managed successfully resulting in no ongoing pressures being reported</p>
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Risk Ref:	Department	Division	Section
ECHS/2	Education, Care and Health Services	Adult Social care	All Adult Social Care sections
Risk / Consequences and Risk Category	Inability to deliver effective Adult Social Care services The Council is unable to deliver an effective adult social care service to fulfil its statutory obligations		
Risk Owner	Director, Adult Social Care		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
4	4	High	16
Existing Controls	<p>Care Act Redesigned processes, including amending forms, and operational procedures in place. Care Act compliance training</p> <p>Better Care Fund Programme overseen by the Director of Health Integration and the CCG</p> <p>Safeguarding - Multi Agency Bromley Adult Safeguarding Board (BSAB) in place - BSAB Training programme (E Learning and Face to Face) - Awareness training for vulnerable groups</p> <p>Recruitment - Dedicated HR programme of support in place to recruit social workers to front line posts</p> <p>Performance Monitoring Framework Review of Performance Management Indicators</p> <p>Procurement and Contract Monitoring - Effective procurement framework and contract monitoring arrangements to ensure acceptable quality of service provision and value for money</p>		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
4	3	Significant	12
Proposed Actions			
Financial Implications	<p>As at the end of August 2016, Adult Social Care is predicted to overspend by £1,814k with the main areas being Assessment and Care Management - £827k. This is in the main due to Placements/Domiciliary Care/Direct Payments for 65+ where client numbers are currently above the budgeted figure. Learning Disabilities - £827k. Mental Health - £305k. These are in the main down to placement projections, assumptions regarding transition clients and efficiency</p>		

	<p>savings yet to be identified.</p> <p>These areas also have significant savings targets for 2016/17. At this stage in the financial year, the projections continue to include a level of assumptions around management actions and other uncertainties such as increased care needs, carer breakdowns, attrition, health funding, and start dates for new packages etc.</p> <p>The overspend in this area has been partially offset by the use of Better Care Funding for the protection of social care.</p> <p>Increasing complexity of adult social care users is being seen as they come through to social care later in their pathway. Additional posts are being recruited to in the reablement service which should increase capacity to manage around 50/55 service users per month.</p>
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Risk Ref:	Department	Division	Section
ECHS/2a	Education, Care and Health Services	Adult Social care	Learning Disability Service
Risk / Consequences and Risk Category	Learning Disability Service <ul style="list-style-type: none"> - Failure to assess service users, establish eligibility criteria and carry out the review process leading to:- - Failure to identify and meet service user needs - Provision of service to ineligible clients - Provision of service prior to/without appropriate authorisation - Failure to manage the transition process of service users from Children's Services to Adult Services leading to increased risk of Judicial Review - Costs associated with Legal process - Ongoing care package costs as a result of Legal process outcome - Placement predictions leading to financial pressures (cross refer ECHS Budget risk) 		
Risk Owner	Director, Adult Social Care		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
4	4	High	16
Existing Controls	<ul style="list-style-type: none"> - Close monitoring of placements and eligibility criteria - Budget monitoring and forecasting - Regular review of medium term strategy - Regular reporting to DMT and Care Services PDS - Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money - Hold provider to account for poor performance - Monitor demographics, economic indicators and develop insight into future demand 		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
4	4	High	16
Proposed Actions			
Financial Implications	<p>The original 2016/17 Learning Disabilities budget included £1.6m savings for the year. This target has increased during the year to a) include a share of departmental savings that had previously not been identified from a specific area (£160k) and b) to fund the net cost of the temporary team of staff working on delivering the savings (£145k net). Progress on achieving the savings is being closely monitored and the projections take into account both savings achieved to date and planned savings for the remainder of the year. If action</p>		

	<p>to make the planned savings does not materialise, or is to a lesser extent, then the projected overspend may increase.</p> <p>Cost pressures relating to transition clients, for whom expectations must be managed, increased client needs and Ordinary Residence cases have been partly mitigated by the overachievement of savings on supported living contracts. At this stage in the financial year the projections continue to include a level of assumption relating to uncertainties eg increased care needs, carer breakdowns, attrition, health funding, start dates for new packages etc. Based on the information currently available, a net overspend of £944k is anticipated but this could still vary significantly as the year progresses.</p>
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Risk Ref:	Department	Division	Section
ECHS/3a	Education, Care and Health Services	Children's Social Care	All Children's Social Care and Safeguarding Sections
Risk / Consequences and Risk Category	Children's Social Care <ul style="list-style-type: none"> - Failure to deliver effective children's services to fulfil statutory safeguarding obligations and protect those at risk of sexual exploitation or missing from care - Impact on life chances and outcomes for children - Impact of unsatisfactory inspection outcome 		
Risk Owner	Interim Director, Children's Social Care and Safeguarding		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
4	4	High	16
Existing Controls	<ul style="list-style-type: none"> - Performance Framework - Quality Assurance Audit Programme - Children's Service Improvement Action Plan - Recruitment and Retention scheme 		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
4	4	High	16
Proposed Actions	<ul style="list-style-type: none"> - Appointment of Deputy Chief Executive with Director of Children's Services responsibility. - 14 new social workers in the process of being recruited - £950k available for immediate use to build capacity - £2.3m available on a recurring basis for Children's services 		
Financial Implications	<p>£950k immediate use to build capacity</p> <p>£2.3m on a recurring basis for Children's Services</p> <p>Children's Social Care - £3,915k overspend Assumptions for additional starters and leavers have been made throughout the year. There are significant savings targets in Children's Social Care and whilst some have already been banked, not all appear to be being delivered currently. There has also been pressure on obtaining suitable carers from independent foster care placements due to lack of supply and therefore other, more expensive alternatives have had to be arranged. 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.</p>		

	<p>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>Staffing costs have risen sharply with a predicted £938k overspend. This is in the main due to more costly locum staff being used to cover vacant posts. Officers are working on this overspend, taking appropriate action to reduce where possible. Actions include continuing the recruitment drive, transferring locums to permanent contracts and freezing of non essential posts.</p> <p>A range of urgent management action have been put in place have been put in place to reduce expenditure without compromising child safety . All placements have to be signed off by the Assistant Director, Children's Social Care.</p>
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Risk Ref:	Department	Division	Section
ECHS/3b	Education, Care and Health Services	Education	Youth Offending
Risk / Consequences and Risk Category	Youth Offending - Failure to deliver effective youth offending services to protect children and young people and reduce their vulnerability - Impact on life chances and outcomes for children - Failure to protect the public and actual or potential victims (assessment of risk to others and planning to manage the risk and protect the public)		
Risk Owner	Director, Education		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
4	3	Significant	12
Existing Controls			
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
4	3	Significant	12
Proposed Actions	- Learning from the Youth Offending Service Improvement Plan implementation and monitoring - Annual Strategic Plan 2016/17 implementation - Youth Justice Board case file audit (March 2016)		
Financial Implications	Youth Justice Board funding further reduced in April by £22k. Review of existing services will be carried out to address this shortfall in future years		

Risk Ref:	Department	Division	Section
ECHS/4	Education, Care and Health Services	Adult Social Care Children's Social Care	All Adult Social Care Sections All Children's Social Care Sections
Risk / Consequences and Risk Category	Recruitment and Retention - Failure to recruit and retain key skilled staff with suitable experience/qualifications. - Inability to deliver effective adults and children's services to fulfil statutory safeguarding obligations, impacting on life chances and outcomes.		
Risk Owner	Director, Adult Social Care Interim Director, Children's Social Care and Safeguarding		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
4	5	High	20
Existing Controls	<ul style="list-style-type: none"> - Dedicated HR role to support managers in recruiting social workers to front line posts - Joint meetings held between HR and employment agencies to improve the quality and speed of locum assignments - Repromotion and review of the current Recruitment and Retention package - Repromotion of the 'no quit' policy - Recruitment drive to convert locums to permanent staff - Commissioning of improvements to the Council's recruitment web site to include a video virtual tour of the Council - Support in effectively managing staff performance - Provision of training measures to include targeted leadership and management training programmes including partners and other stakeholders - Tailored individual career plan for staff - Training and quality assurance of practice - Provision of regular monitoring information to feed into the corporate governance dashboard 		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
4	3	Significant	12
Proposed Actions			
Financial Implications	<p>£950k immediate use to build capacity (Children's Services)</p> <p>£2.3m on a recurring basis (Children's Services)</p> <p>Staff costs in Children's Social Care have risen sharply with a predicated £938k overspend. This is in the main due to more</p>		

	<p>costly locum staff being used to cover vacant posts. Actions include continuing the recruitment drive, transferring locums to permanent contracts and freezing of non essential posts.</p> <p>Additional posts are being recruited to in the Reablement Service (Adult Social Care)</p>
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Risk Ref:	Department	Division	Section
ECHS/5a	Education, Care and Health Services	Housing Needs	Housing Needs
Risk / Consequences and Risk Category	Temporary Accommodation - Inability to effectively manage the volume of people presenting themselves as homeless and the additional pressures placed on the homelessness budgets Social - Strategic (sub: Operational - Financial)		
Risk Owner	Sara Bowrey		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
4	5	High	20
Existing Controls	- Focus on preventing homelessness and diversion to alternative housing options through:- - Landlord and Tenancy advice, support and sustainment - Assistance (including financial aid) to access the private rented sector - 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 - Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money Contract Monitoring - Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
4	5	High	20
Proposed Actions	- Seek new and alternative forms/supply of temporary accommodation - Ensure the successful implementation of the More Homes Bromley initiative to ensure the supply reduces the reliance on nightly paid accommodation - Continue to develop partnership working with private sector landlords to assist households to remain in private sector accommodation - Work innovatively with a range of providers to increase access to a supply of affordable accommodation - Produce and maintain the new London Borough of Bromley Homelessness strategy ensuring that the strategy promotes		

	partnership working to reduce and prevent homelessness
Financial Implications	<p>Temporary Accommodation (TA) (Bed and Breakfast) pressures continue in 2016/17 with a £538k overspend forecast. There is, however, funding available in the central contingency and it is assumed that this will be drawn down to reduce the overspend to a net zero.</p> <p>Although numbers are continuing to rise with an average of 17 per month expected during the remainder of the financial year, this is assumed within the financial projections.</p> <p>There are other pressures emerging in Housing including £125k relating to the cost of storage of furniture of clients going into temporary accommodation.</p> <p>Although there is a full year effect of this overspend, this again will be dealt with through the drawdown of contingency.</p> <p>All forms of rent debt across the authority as at 30th September 2016 - £3,974,734.99.</p>

Risk Ref:	Department	Division	Section
ECHS/5b	Education, Care and Health Services	Housing Needs (Housing Strategy)	Housing Needs
Risk / Consequences and Risk Category	Capital Grant - Failure to deliver the Council's housing strategy will result in an inadequate supply of housing for a range of client groups in support of the Council's statutory housing and homelessness duties - Lack of availability of external capital grant to deliver key housing schemes Lack of available suitable sites within the borough o which to develop new affordable housing schemes over the short to medium term		
Risk Owner	Sara Bowrey		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
4	4	High	16
Existing Controls	1. - Lead negotiations on the affordable housing provision on section 106 applications, ensuring that the affordable housing obligation reflects local adopted planning policy and local statutory and high priority housing need - Determination at planning stage to ensure collection of obligations due - Conditions attached to funding received to ensure it is spent on preventing homelessness		
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. Balance of Section 106 housing funds as at 1st June 2016 - £5,414k.		

Risk Ref:	Department	Division	Section
ECHS/6	Education, Care and Health Services	Public Health	All Public Health Sections

Risk / Consequences and Risk Category	Inability to deliver an effective Public Health service The Council is unable to deliver an effective Public Health service to fulfil its statutory obligations		
Risk Owner	Director of Public Health		
Gross Impact	Gross Likelihood	Gross Risk Rating	Gross Risk Score
4	4	High	16
Existing Controls	<ul style="list-style-type: none"> - Analysis focused on measurement and monitoring of Health Inequalities - Commissioning function develops sustainable services to meet long term need, taking into account health inequalities <p>Contract Monitoring</p> <ul style="list-style-type: none"> - Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money 		
Net Impact	Net Likelihood	Net Risk Rating	Net Risk Score
4	3	Significant	12
Proposed Actions			
Financial Implications	The current variance in Public Health is zero. This area has recently seen a reduction in grant funding and has significant savings targets for 2016/17 which are being managed successfully resulting in no ongoing pressures being reported.		

Risk Matrix

Appendix H

		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 H

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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BROMLEY - CORPORATE RISKS / ORGANISATIONAL ISSUES - MARCH 2016

CORPORATE RISK	RESPONSIBLE OFFICER	PRIORITY ACTIONS
<p>FINANCIAL (failure to deliver a sustainable Financial Strategy which meets BBB priorities and failure of individual departments to meet budget)</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. As a consequence of significant Government funding reductions (austerity continues until at least 2019/20), need to reduce the Council's significant 'budget gap' of £27.6m per annum by 2019/20. 2. The Government's aim is to transform 'local government, enabling it to be self-sufficient by the end of Parliament' e.g. business rates to be fully devolved to local government by 2019/20. A future national recession could have a significant impact on income generated to fund key services within a fully devolved model. 3. Failure to meet departmental budgets due to increased demand on key services resulting in overspends: (Housing (homelessness and cost of bed and breakfast); Social Care (welfare reform and ageing population); and Waste (growing number of households). 4. The risk of the Council not being able to carry out its statutory duties (e.g. pupil admissions, school improvement, child protection) as a consequence of funding reductions. 5. Dependency on external grants to fund services (schools and housing benefits are ring-fenced) - effect if grant reduces (Public Health services) or ceases. 6. The introduction of a new national living wage will have cost implications to the Council over the next few years (e.g. care providers and carers). 7. As the local government core grant is fully phased out, local government will take on new funding responsibilities e.g. public health, housing benefit administration for pensioners, attendance allowances etc. With ageing population there will be associated cost pressures. 8. Impact of welfare reforms (phased replacement of housing benefit to Universal Credit). From April 2016 working age claimants in receipt of Council Tax Support (CTS) will be required to pay a minimum of 25% towards their Council Tax liability (previously 19%). 9. Dependency on Council Tax payers paying an additional precept to specifically fund vital services e.g. adult social care, in addition to any general council tax increase. 10. Failure to identify and highlight frauds and weaknesses in the system of internal control (which invariably have a financial impact). Overall, fraud losses are mainly benefit related (Council Tax Support / Single Person Discount). 	<p>Director of Finance</p>	<p>Regular update of forward forecast</p> <p>Early identification of future year savings required</p> <p>'Transformation' options considered early in the four year forward planning period</p> <p>Budget monitoring to include action from relevant Director to address overspends including action to address any full year additional cost</p>

CORPORATE RISK	RESPONSIBLE OFFICER	PRIORITY ACTIONS
<p>COMMISSIONING (failure to deliver the Council's Target Operating Model as a 'Commissioning organisation, determining who is best placed to deliver high-quality services based on local priorities and value for money principles')</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. Driven by budgetary considerations. 2. Our low cost base reduces the scope to identify efficiency savings compared with a higher cost organisation. 3. Availability of quality data to support decisions. 4. Capacity to deliver the Commissioning agenda. 5. Capacity of key areas to deliver outsourcing i.e. ICT (supporting IT and information transfers), HR, procurement teams and legal services. 6. Impact of not being able to outsource targeted services means that additional savings are required elsewhere. 7. Ensuring that we adequately engage with Members and consult staff, residents, service users, businesses and other interested parties. 8. Contracts and SLAs fail to deliver required quantity / quality / value for money services. 9. Potential downside: Contracted provider fails to meet performance standards, terminates contract or ceases to trade with the result that the service has to be brought back in-house 	<p>Director of Regeneration and Transformation (Commissioning Programme) and Directors (delivery of outcomes)</p>	<p>Ensure the organisation has the appropriate capacity and governance arrangements in place to deliver the Commissioning agenda.</p>
<p>HEALTH AND SOCIAL CARE INTEGRATION (failure to have a plan in place by 2017 for full implementation by 2020)</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. Difficulty in achieving rapid change in a system as complex as health and social care. 2. Rising social care costs due to ageing population and people living longer with increasing complex needs. 3. Difficulties with agreeing budgets (given likely funding reductions going forward), complex governance arrangements, and workforce planning. 4. Need to focus on collaborative working (cultural differences). 5. Diminishing / reduced resources and changes in the way public funds are directed. 6. Pressure for social care services to be accessible 7 days a week both in terms of our own workforce and contracts with external providers in line with NHS priority to deliver 7 day working across the health sector. 7. LBB will need to contribute to a whole system review (led by the Bromley Clinical Commissioning Group) to ensure that funding follows the patient. 	<p>Chief Executive</p>	<p>A commitment to delivering an integration plan for health and social care services across the borough by 2017.</p> <p>Continued work with health partners to deliver the main transformation programmes.</p> <p>Building on the work already delivered through the S.75 and being implemented through the Better Care Fund workstream i.e. Reablement and Rehab services, Winter Resilience work, Transfer of Care Bureau and Integrated Care Records.</p>

CORPORATE RISK	RESPONSIBLE OFFICER	PRIORITY ACTIONS
<p>ORGANISATIONAL CHANGE (failure to manage change and maintain an efficient workforce with the result that BBB priorities are not met)</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. The on-going need to reduce the size and change the shape of the organisation to secure priority outcomes within the resources available. 2. Having the right people in place by implementing effective recruitment and retention strategies. 3. Potential skills gap and deterioration of service quality through loss of experienced staff as a result of age profile of workforce and downsizing (failure to succession plan). 4. Disruption while services realigned and staff appointed to new structure. 5. Increasing demands and pressures on remaining staff given increased customer expectation levels, could lead to morale issues. 6. Increased potential for internal controls to be bypassed due to flatter reporting structure. 7. Lack of capacity to lead projects / manage change agenda and consequent ability to respond to change initiatives and the achievement of outcomes and benefits. 8. Potential future shortage of professionally qualified practitioners in key areas, particularly around the Safeguarding agenda. 9. Need to ensure that relevant staff have necessary disciplines to drive improvement and enable good practice and consistency in delivering change and the achievement of outcomes and benefits e.g. risk and performance management. 10. Adverse industrial relations climate with individual and collective grievances including trade disputes with the unions, causing some disruptions to vital Council services. 11. Increasing number of employment tribunal cases causing financial and administrative inconveniences. 12. Having the right buildings and facilities to support fewer, more professional, differently organised staff. 13. Potential changes to working relationship with Members as we move to a smaller organisation. 14. The need to track continued changes to government strategy and policies coupled with changes in legislation to avoid compliance issues (approx. 1,300 statutory duties). 15. Adequacy of consultation on issues that affect residents across the borough i.e. re-organisation of libraries, Biggin Hill expansion. 16. Adverse external audit comment and resulting ratings in relation to 'excellent in the eyes of local people'. 	<p>Director of Human Resources</p>	<p>Continuously address the recruitment and retention of key individuals in critical posts.</p> <p>Ensure the organisation has the HR capacity and employment law expertise to manage change.</p> <p>Address the transformational and transitional capabilities (including leadership) required for a successful commissioning journey/process.</p> <p>Provide adequate resources to support and improve staff engagement and communications.</p>

CORPORATE RISK	RESPONSIBLE OFFICER	PRIORITY ACTIONS
<p>CONTRACT MANAGEMENT (failure to manage and monitor contracts effectively resulting in reduced performance and increased customer complaints)</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. Ensuring client side staff have the necessary training and skills to manage and monitor contracts. 2. Ensuring effective communication channels between client and provider to ensure contract compliance. 3. Need for monitoring officers to check quality of outsourced services and customer satisfaction levels. 4. Lack of understanding of the contract deliverables. 6. Short cuts in procurement processes e.g. extending contracts rather than retendering. 7. Compatibility of different systems and availability of IT support. 8. Failure of a contractor / partner / provider to maintain agreed service levels resulting in an interruption to or deterioration of service delivery. 9. Potential for operational errors / omissions by contractors (responsibility remains with LBB). 10. Managing customer expectations and dealing with complaints where there are failures. 	Directors	<p>Contract Monitoring Summary templates be completed and loaded on the Contract Monitoring team site.</p> <p>Ensure that contract data is reported to each PDS committee as required under Contract Procedure Rules.</p> <p>Review the provision of contract and procurement information on onebromley.</p>
<p>INFORMATION COMMUNICATION TECHNOLOGY (failing to maintain and develop ICT information systems to reliably support departmental service delivery)</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. Need to ensure that Information systems are fit for future business purpose. 2. Capacity and skill within Corporate ICT to maintain and support systems during a period of significant change and in the future. 3. Increasing reliance on stability of ICT infrastructure in all areas of the Council (Lync telephony service). 4. Council website now a major channel for the delivery of services (Pay for it, Apply for it, Report it). 5. Adequacy of information governance data protection rules to ensure the confidentiality, integrity and availability of information assets. 6. IT failure impacting on critical operational systems. 7. Over the next 3 years we will need to undertake gateway reviews / procurement plans for at least 4 of the Council's business critical systems; Customer Relationship Manager, Carefirst, Housing info system and Education's Capita One system plus the main LBB website and SharePoint. 8. Transfer of IT contract to new ICT 3rd party supplier in 2016. 	Director of Corporate Services	<p>Effectively manage and plan for the transition of the IT contract from CAPITA to BT. Ensure business continuity and those deadlines for major works are achieved. Appoint Transition Manager.</p> <p>Carry out at least 4 gateway reviews for major systems.</p> <p>Increase stability of ICT infrastructure including Lync.</p>

CORPORATE RISK	RESPONSIBLE OFFICER	PRIORITY ACTIONS
<p>BUSINESS CONTINUITY AND EMERGENCY PLANNING (failure to maintain and update Business Continuity Plans, and our ability to respond to major external incidents, with the result that services are severely disrupted)</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. Unavailability of Council offices / depots due to explosion / fire / flood etc. 2. Operational emergencies due to severe weather conditions, fire, or major incident. 3. Availability of trained staff to respond to external emergencies (the Council is a Category 1 responder). 4. Loss of key business systems due to power problems or system failure. 5. Inadequate IT disaster recovery arrangements leading to dislocation of Council services. 6. Sustained industrial action affecting key services. 7. Lack of Business Continuity Plan testing. 8. Adequacy of contractor's business continuity plans. 9. 'Flu' pandemic which could have a widespread impact across the borough. 	<p>Director of Environment and Community Services</p>	<p>To ensure that all Business Continuity Plans are up to date and are cross linked with one another across the Authority, specifically in relation to fall back sites, where there may be a number of departments using the same scarce resource.</p> <p>To revisit the evacuation protocols within the Civic Centre site, specifically where staff would go if there was a large cordon around Bromley Town Centre.</p> <p>To provide a more resilient out of hours service to Emergency Planning by having Local Authority Liaison Officers and Rest Centre Staff on call alongside the Emergency Planning on-call managers.</p>

CORPORATE RISK	RESPONSIBLE OFFICER	PRIORITY ACTIONS
<p>Inability to deliver effective Children's Social Care services. (failure to discharge Children's Social Care functions)</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. Failure to deliver effective children's services to fulfil safeguarding obligations and protect those at risk of sexual exploitation or missing from care. 2. Failure to prevent a child or young person from suffering significant harm or death. 3. Following 'Statutory Direction' from DfE, failure to perform to an adequate standard, some or all of the functions to which section 497A of the Education Act 1996 ("the 1996 Act") is applied by section 50 of the Children Act 2004 ("children's social care functions"), potentially leading to the recommendation to the Secretary of State that alternative delivery arrangements are the most effective way of securing and sustaining improvement 4. Unfavourable media coverage and loss of credibility 	<p>Directors, Specifically Executive Director of ECHS</p>	<p>Multi Agency Bromley Safeguarding Board in place to identify and prevent safeguarding issues</p> <p>Effective contract monitoring arrangements to ensure acceptable quality of service provision and Value for Money</p> <p>Appointment of Deputy Chief Executive with Director of Children's Services responsibility.</p> <p>Children's Services Improvement Action Plan and Quality Assurance Audit programme</p> <p>Dedicated HR programme of support in place to recruit social workers to front line posts. 14 New social workers in the process of being recruited - £950K available for immediate use to build capacity - £2.3m available on a recurring basis for Children's services</p>

CONSEQUENCES
<p>The main consequences of failing to address these risks are that we fail to deliver a balanced budget with the result that we do not achieve our Building a Better Bromley priorities. This in turn will lead to public dissatisfaction, adverse publicity and damage our reputation as an 'excellent council'.</p>

Agenda Item 9

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

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of the Local Government Act 1972.

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