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DATE: 23 March 2017

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 4 APRIL 2017 AT 7.00 PM**

MARK BOWEN  
Director of Corporate Services

*Copies of the documents referred to below can be obtained from*  
<http://cds.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 29TH NOVEMBER 2017-- EXCLUDING THOSE CONTAINING EXEMPT INFORMATION (Pages 5 - 12)**
- 4 **QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING**

In accordance with the Council's Constitution, questions to this Committee must be received in writing 4 working days before the date of the meeting. Therefore please ensure questions are received by the Democratic Services Team by 5pm on 29<sup>th</sup> March 2017.

- 5 **MATTERS ARISING FROM THE PREVIOUS MEETING-EXCLUDING EXEMPT INFORMATION**  
There were no Part 1 matters outstanding from the previous meeting.
- 6 **QUESTIONS ON THE PUBLISHED REDACTED REPORTS**

The following redacted reports have been published on the Bromley Council website:

- Review of St Paul's Cray Church of England Primary School Audit for 2016-2017

- Review of Housing Benefit Audit for 2016-2017
- Review of James Dixon Primary Audit for 2016-2017
- IT Services Contract Audit for 2016-2017
- Review of Glebe School Audit for 2016-2017
- Review of Waivers Audit for 2016-2017
- Review of Public Health Audit for 2016-2017; Substance Mis-Use.
- Review of Council Tax Audit for 2016-2017
- Follow up Audit –Section 106 Agreements for 2016-2017
- Review of Bromley Road Primary School Audit for 2016-2017
- Follow up Audit of Extra Care Housing for Norton Court—2016-2017
- Follow up Review of Libraries Audit for 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=6188&Ver=4>

- 7 **EXTERNAL AUDIT ANNUAL AUDIT PLAN 2016-17** (Pages 13 - 36)
- 8 **ANNUAL INTERNAL AUDIT PLAN 2017-18** (Pages 37 - 54)
- 9 **INTERNAL AUDIT PROGRESS REPORT** (Pages 55 - 106)
- 10 **LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000**

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

| <u><b>Items of Business</b></u>                                                          | <u><b>Schedule 12A Description</b></u>                                                                    |
|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| 11 <b>EXEMPT MINUTES OF THE MEETING HELD ON 29TH NOVEMBER 2016</b> (Pages 107 - 110)     | Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. |
| 12 <b>MATTERS ARISING FROM THE PREVIOUS MEETING-EXEMPT INFORMATION</b> (Pages 111 - 114) |                                                                                                           |
| 13 <b>INTERNAL AUDIT FRAUD &amp; INVESTIGATION REPORT</b> (Pages 115 - 142)              |                                                                                                           |

#### **14    DATE OF THE NEXT MEETING**

The date of the next meeting is 21<sup>st</sup> June 2017.

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## AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.00 pm on 29 November 2016

### Present:

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

#### **14 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

Apologies for absence were received from Councillor Peter Fortune.

#### **15 DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **16 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 6<sup>th</sup> JULY 2016 -- EXCLUDING THOSE CONTAINING EXEMPT INFORMATION**

**RESOLVED** that the minutes of the Audit Sub-Committee meeting held on 6<sup>th</sup> July 2016 be agreed.

#### **17 QUESTIONS FROM COUNCILLORS OR FROM MEMBERS OF THE PUBLIC**

No questions had been received.

#### **18 MATTERS OUTSTANDING FROM THE LAST MEETING - PART 1**

##### **Report CSD16166**

The Sub-Committee considered progress on matters outstanding from previous meetings.

In considering the item on the HMRC audit that had resulted in a surcharge to the Local Authority for the use of consultants, the Chairman noted that the Director of Human Resources had provided an e-mail update to Members of the Sub-Committee outlining the new procedures that would be put in place to ensure this issue did not recur.

**RESOLVED** that matters outstanding from previous meetings be noted.

## **19 QUESTIONS ON THE REDACTED REPORTS PUBLISHED ON THE WEB**

The Audit Sub-Committee Information Briefing comprised nineteen reports:

- Redacted Stray Dogs Final Follow Up Audit
- Environmental Protection Final Audit-2016-2017
- Redacted CIL Final Internal Audit Report
- Redacted Final Report for Document Retention
- Redacted Final Internal Audit for Creditors
- Redacted Learning Disabilities Final Audit Report
- Redacted Confirm System Final Audit
- Redacted Payroll Final Audit Report-2015-2016
- Redacted Children with Mental Health Needs Audit-2015-2016
- Redacted Final Internal Audit Report for St Georges Primary School
- Redacted Final Internal Audit Report for Troubled Families
- Redacted Final Care Link Report-2016-2017
- Redacted Biggin Hill and Glades Final Audit Report-2016-2017
- Redacted Building Control Final Report-2016-2017
- Redacted Dorset Road Infants School Final Audit Report-2016-2017
- Redacted NNDR Final Report-2016-2017
- Redacted St Anthony's School Final Internal Audit Report-2016-2017
- Redacted Final Internal Audit Report for Insurance-2015-2016
- Redacted Exchequer Contractor Follow Up Report-2016-2017

**RESOLVED that the Information Briefing be noted.**

## **20 INTERNAL AUDIT PROGRESS REPORT**

### **Report FSD16075**

The Sub-Committee considered a report informing Members of recent audit activity undertaken across the Council and providing an update on matters arising from previous meetings of Audit Sub-Committee.

Progress had been made across existing Priority One recommendations comprising Domiciliary Care, Creditors, Manorfields, Stray Dogs Contract Follow Up, Blenheim Primary School and Penalty Charge Priority Notices. The Priority One recommendations for the Transition Team and Extra Care Housing were still outstanding following follow-up audits. The Rent Arrears Priority One had now been subsumed in the Temporary Accommodation audit reported in Part 2 of this agenda. A number of new Priority One recommendations had also been identified comprising NNDR (Business Rates), Community Infrastructure Levy, Document Storage and Retention and Learning Disabilities.

In considering the Priority One recommendations relating to Domiciliary Care, a Member noted that at the time of the initial audit, a sample of 44 cases had

been selected for review, with issues identified in 14 cases relating to the dates of service and, in one case, non-closure. The Member requested clarification around the sample size in relation to the total number of Domiciliary Care cases and this would be provided to Members following the meeting.

With regard to the significant number of orders that were found to be raised retrospectively as part of the original Internal Audit report on Creditors, Members were informed that 1366 retrospective orders had been raised between June 2016 to August 2016, which was a significant drop of 36% on the previous Quarter, and would again be followed up in the Creditors Audit 2016/17 due in Quarter 4 2016/17.

The follow-up review on Stray Dogs Contract had been undertaken and concluded that of the five outstanding Priority One recommendations, two had been fully implemented relating to waivers and value for money. The three recommendations relating to contract monitoring, payment of invoices and collection of income had been partially implemented and it had been acknowledged that the service had made significant progress in all three areas and warranted a Priority Two recommendation. Details of the follow-up review would be reported to Contracts Sub-Committee in connection to lessons learned and the way the contract had been handled.

In relation to the second Priority One recommendation for Manorfields on compliance with Contract Procedure Rules, Members were advised that the monitoring of the final account for this work would shortly be completed and would be audited, and that an update would be provided to the next meeting of Audit Sub-Committee in April 2017. The recommendation would be kept open until the work had been completed and reviewed by Internal Audit. In response to a question from a Member around Officer training, the Head of Audit reported that Internal Audit had recently met with the Corporate Leadership Team to outline three training awareness packages around Audit Controls, Fraud and Corruption and Risk Management that would be rolled out to all Officers in early 2017. Members underlined the need to ensure that temporary or locum Officers were also given access to this training. The Head of Audit confirmed that whilst contractual requirements for continuing professional development were limited to certain roles across the Local Authority, the training awareness packages would be accessible to all staff, including locum and temporary staff, and there would be an expectation that Officers involved in contracts monitoring and management would undertake the training. A Member suggested that a licensing system be used and that only Officers who had completed the relevant training should be authorised to undertake contracts work. Another Member emphasised that following a change in law, the Chief Executive was responsible for ensuring that all staff had an understanding of Fraud and Corruption and to meet this requirement, training should be mandatory for all staff.

In discussing the audit of the Community Infrastructure Levy, the Chairman highlighted the importance of identifying all new dwellings, buildings and extensions proposing additional floor space of 100 square metres and above

where the Community Infrastructure Levy would be liable, as there was a risk that this charge would rest with the Local Authority if building work had already commenced. The Principal Auditor reported that training had been delivered across the Planning Service in relation to the Levy, and that all planning applications from 1<sup>st</sup> April 2015 were being reviewed to ensure that any funds due were identified. Further information on the checks undertaken when an applicant applied for a waiver, such as self-build relief would be provided to Members following the meeting.

In considering work regarding Blenheim Primary School and how a possible conflict of interest had been managed, a Member was concerned that there was a greater expectation on school staff to declare interests than on Members of the Council. The Head of Audit noted that Members were required to register their pecuniary interests in the main Register of Interests but they were also able to re-disclose these interests at meetings if they felt it was appropriate, with an expectation they would withdraw from meetings in certain circumstances.

Members considered the audit relating to document storage and retention and were generally concerned at the high volume of information being held in storage and a lack of clarity around the destroy policy. The potential to microfiche or scan documents was suggested, and a Member noted that if stored information had not been required for three years and there was no statutory requirement to keep it, it should be destroyed. Information relating to the number of boxes withdrawn in the past three years would be provided to Members following the meeting. A Member underlined that in reviewing what information should be kept, there was a need to ensure that supporting documentation around individual contracts was retained for contracts management and audit processes. The Head of Audit confirmed that senior officers were being tasked to consider the issue of document storage and retention going forward.

With regard to the audit of Learning Disabilities, a Member noted the three Priority One recommendations around assessment, care and support plans and service agreements, and requested that this issue be referred to Care Services PDS Committee to ensure appropriate scrutiny was undertaken on the measures being implemented to address the issues identified.

There was currently a requirement that from the start of the 2018/19 financial year, the process for the appointment of external auditors under the Local Audit and Accountability Act 2014 would be operational. Within this, the Act provided for the approval of a sector-led body to act as an 'appointing person' and to undertake a procurement exercise and appointment on behalf of the authority. Members were advised that Public Sector Audit Appointments Ltd had attained accreditation to be an appointing person and had offered the Local Authority the opportunity to become an 'opted in' authority by 9<sup>th</sup> March 2017, with tendered services to start from 1<sup>st</sup> April 2018. It was believed that the majority of London Boroughs would sign up to this option, although this was subject to an ongoing survey, and that this would be a more cost effective option than the Local Authority appointing its own auditors. Following



discussion, Members of the Sub-Committee supported the proposal which would be presented to the meeting of the Council on 12<sup>th</sup> December 2016 for Member approval.

The risk management update was considered by the Sub-Committee which included a number of risks that had arisen from the Ofsted Inspection of Children's Services. The report of the Commissioner for Children's Services in Bromley had identified issues relating to the use of the Council's internal audit and risk management processes, including actions taken in response to internal audits of the Fostering and Adoption and Leaving Care services in 2014 which had been rated as having 'nil' assurance. In response to this, a number of measures had been put in place, including the Director of Finance being given direct responsibility for Risk Management, the continuation of the Corporate Risk Management Group, and for key audit findings to be linked into the Risk Register. A Member noted the need for the consequences of risks to be outlined more clearly within the risk register, such as failing an Ofsted Inspection. Another Member highlighted the role of Policy Development and Scrutiny Committees in scrutinising the risks within their Portfolios on a regular basis. Members were asked to note and agree the addition of Children's Social Care Services to the Corporate Risk Register before publishing it on the web.

An update on waivers agreed between March and October 2016 was provided at Appendix B. Members were generally concerned at the number of waivers and the cumulative value of these contracts. The Head of Audit confirmed that there was an ongoing internal audit of waivers following changes to the process which was due to be completed in early 2017, but that none of the waivers listed had been 'called-in' by Members.

The Chairman led Members in thanking Luis Remedios, Head of Audit for his excellent service to the Local Authority as Head of Audit for many years and wished him a long and happy retirement.

**RESOLVED that:**

- 1) The Progress report and Members' comments upon matters arising be noted;**
- 2) The list of Internal Audit Reports publicised on the web be noted;**
- 3) The list of waivers sought since March 2016 be noted;**
- 4) The Quality Assurance Improvement Programme be approved;**
- 5) The latest update on cases referred to the Department for Work and Pensions be noted;**
- 6) The latest position on the options to appoint a local auditor be noted;**

- 7) The Annual Audit Letter 2015/16 from the External Auditors be noted;
- 8) The Letter of Representation be noted;
- 9) The Code of Transparency - reporting of fraud be noted;
- 10) The recruitment process for Head of Audit be noted;
- 11) The launch of web-based training for risk, audit controls and fraud and corruption be noted; and,
- 12) The latest update on high and significant risks and actions taken to improve the process and approve the revised corporate risk register be noted.
- 13) Resolved that Council be recommended to approve the proposal to become an 'opted in' authority with Public Sector Audit Appointments Ltd for the appointment of External Auditors by 9<sup>th</sup> March 2017.

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

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

**22            EXEMPT MINUTES OF THE MEETING HELD ON 6th JULY 2016**

**RESOLVED** that the exempt minutes of the Audit Sub-Committee meeting held on 6<sup>th</sup> July 2016 be agreed.

**23            MATTERS ARISING FROM THE PREVIOUS MEETING - PART 2**

**Report CSD16165**

The Sub-Committee considered an update on Part 2 (Exempt) matters arising from previous meetings.

**RESOLVED** that the report be noted.

**24 INTERNAL AUDIT FRAUD AND INVESTIGATION REPORT**

**Report FSD16076**

The Sub-Committee considered a report informing Members of recent Internal Audit activity on fraud and investigations across the Council, and providing an update on matters arising from previous meetings of Audit Sub-Committee. The report outlined previously reported cases, new cases of interest and details of cases on the fraud register, as well as information on a pro-active exercise.

**RESOLVED that the report be noted.**

**25 DATE OF THE NEXT MEETING**

The next meeting of Audit Sub-Committee would be held at 7.00pm on Tuesday 4<sup>th</sup> April 2017.

The Meeting ended at 8.59 pm

Chairman

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Report No.  
FSD 17038

London Borough of Bromley

## PART ONE - PUBLIC

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**Decision Maker:**      **AUDIT SUB-COMMITTEE**

**Date:**                      **Tuesday 4 April 2017**

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

**Title:**                      **EXTERNAL AUDIT ANNUAL PLAN 2016-17**

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

**Chief Officer:**              Director of Finance

**Ward:**                      (All Wards);

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1.      Reason for report

Review of the External Auditors' annual plan arrangements for 2016-17.

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2.      **RECOMMENDATION(S)**

**Members are asked to note the External Auditor's arrangements for the Audit Plan 2016-17.**

**Members should note the materiality limits set out in the Annual Plan.**

**Members should note the no increase in the audit fee.**

**Members should note the value for money arrangements set out in the Annual Plan.**

**Members should note the six significant risks identified in the Annual Plan.**

### Impact on Vulnerable Adults and Children

1. Summary of Impact: The External Audit Plan makes reference to children.
- 

### 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: External Audit
  4. Total current budget for this head: £119K for the external audit of the accounts 2015-16
  5. Source of funding: General Fund
- 

### Personnel

1. Number of staff (current and additional): Not Applicable
  2. If from existing staff resources, number of staff hours: Not Applicable
- 

### Legal

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

### Procurement

1. Summary of Procurement Implications: Some planned audits will have procurement implications
- 

### Customer Impact

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

### 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 Members are asked to note the External Auditor's arrangements for the Audit Plan 2015-16 attached as an appendix to this report.
- 3.2 Members should note that the audit fee of £119,076 is unchanged from last year.
- 3.3 Members should note the comments on materiality limits within the External Auditor's Annual Plan.
- 3.4 Members should note the value for money arrangements set out in the Annual Plan.
- 3.5 Members should note the six significant risks identified in the Annual Plan.

### **4. IMPACT ON VULNERABLE ADULTS AND CHILDREN**

The contents of the External Auditor's plan could have implications for both adults and children in respect of audit work undertaken.

### **5. POLICY IMPLICATIONS**

None

### **6. FINANCIAL IMPLICATIONS**

There is a cost element in auditing the accounts for the financial year 2016-17. The total fee is expected to be £119K.

### **7. PERSONNEL IMPLICATIONS**

None

### **8. LEGAL IMPLICATIONS**

There is a legal requirement to externally audit the accounts as set out in the Local Audit and Accountability Act 2014.

### **9. PROCUREMENT IMPLICATIONS**

The contents of the External Audit plan could have implications for procurement potentially relating to contract procedure rules, financial regulations and VFM issues.

|                                                       |                   |
|-------------------------------------------------------|-------------------|
| <b>Non-Applicable Sections:</b>                       | Policy; Personnel |
| Background Documents:<br>(Access via Contact Officer) | None              |

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# External Audit Plan 2016/2017

London Borough of Bromley and Pension Fund

March 2017

## Financial Statements Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

### Materiality

Materiality for planning purposes has been set at £10 million for the Authority and £7.4 million for the Pension Fund.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £0.5 million for the Authority and £0.35 million for the Pension Fund.

### Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Risk of fraud in revenue recognition;
- Management override of controls;
- Valuation of Property, Plant and Equipment;
- Valuation of pension assets and liabilities (LGPS triennial valuation);
- Mears SPV treatment; and
- Pension fund investments

### Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Restatement of prior year comparatives in the CIES.

**See pages 3 to 6 for more details.**

## Value for Money Arrangements work



Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Findings from regulatory bodies;
- Overspends in children's services; and
- Financial resilience.

**See pages 8 to 12 for more details**

## Logistics



Our team is:

- Phil Johnstone – Director;
- Hannah Andrews – Senior Manager;
- James Seegar – Senior Manager;
- Jonny Chowis – Assistant manager.

More details can be found on **page 15**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 14**.

Our fee for the audit is £119,076 (£119,076 2015/2016) for the Authority and £21,000 (£21,000 2015/16) for the Pension Fund see **page 13**.



# Introduction

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

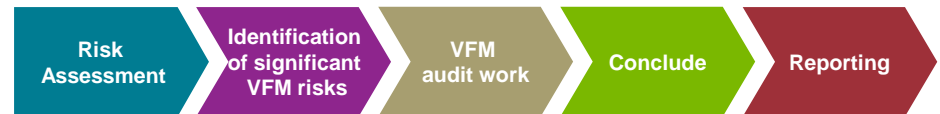
## Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 and the findings of our VFM risk assessment.





## Financial Statements Audit Planning

Our planning work takes place during January 2017. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

## Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We will obtain an understanding of revenue controls within the Council. We will evaluate and test accounting policies for income recognition to ensure that they are consistent with the requirements of the Code of Practice on Local Authority Accounting. We will perform detailed testing of revenue transactions, focusing on the areas we consider to be of greatest risk, for example, fees and charges. We fully rebut the risk of revenue recognition for council tax income, NDR income, grants, and investment income. We will complete specific testing over fees and charges income, including s106 funding.

The diagram opposite identifies both significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



## Significant Audit Risks - Administering Authority and Pension Fund

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

### **Risk:** Significant changes in the pension assets and liabilities due to the LGPS Triennial Valuation

During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.

The pension numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts.

Pension valuations require a significant level of expertise, judgement and estimation and are therefore more susceptible to error. This is also a complex accounting area which increases the risk of misstatement.

**Approach:** As part of our audit of the Pension Fund, we will undertake work on a test basis to agree the data provided to the actuary back to the systems and reports from which it was derived and to understand the controls in place to ensure the accuracy of this data.

We will:

- Confirm the information provided to the Actuary by the Authority;
- Review the actuarial valuation and consider the disclosure implications;
- Consider the professional competence of the actuary; and
- Consider the assumptions made by your actuaries (Mercer Ltd.) to benchmarks, including those which are collated by our KPMG actuaries, and to the assumptions used for 2015/16 for consistency.

## Significant Audit Risks - Council

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

### **Risk:** Valuation of Property, Plant and Equipment (PPE)

At 31 March 2016 the value of the Council's PPE was £459 million. In addition the Council made impairment losses on non-current assets in 2015/16 of £8.9 million. Local Authorities exercise judgement in determining the fair value of the different classes of assets held and the methods used to ensure the carrying values recorded each year reflect those fair values. Councils are responsible for ensuring that the valuation of PPE is appropriate at each financial year end and for conducting impairment reviews that confirm the condition of these assets. We have assessed that the inherent uncertainty in valuation and the high value of assets held by the Council creates a significant risk to the financial statements for 2016/17.

**Approach:** We will undertake work over the valuation, existence, ownership, completeness and accuracy of fixed asset balances.

We will:

- Consider the professional competence of the valuer;
- Consider the instructions provided to the valuer;
- Challenge the management basis of valuation, understand any professional valuation received, and consider the judgements made by the Council in applying the professional valuation received. This will include reviewing amounts posted to the revaluation reserve and checking whether accounting entries that have been made are appropriate;
- Complete testing over new capital additions in year to confirm they have been appropriately capitalised and that Council ownership is evidenced; and
- Review disposals made in year and confirm appropriate removal from the PPE balance in 2016/17.



## Significant Audit Risks - Council

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

### **Risk:** Mears special purpose vehicle (SPV)

The Council has entered into an SPV with Mears which will acquire housing stock for temporary accommodation with a view to reducing temporary accommodation costs. In the long term the assets are planned to be 'gifted' to the pension fund with a view to reducing the pension fund deficit overall. There are risks around the accounting treatment of the SPV and the pension fund gifting.

**Approach:** We will discuss with management the advice received from Grant Thornton LLP regarding the setup of the SPV and understand the activities of the SPV. We will:

- Review the terms of establishment to agree the accounting treatment; and
- Understand whether any consolidation is required within the financial statements of the Council, and whether Group accounts are required to be produced.
- Understand the transactions which have been processed through the SPV in the year and agree these to supporting documentation.

## Significant Audit Risks – Pension Fund

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

### **Risk:** Pension fund investments

10% of the Pension Fund Investment portfolio (c. £70M) is held within diversified growth funds. These are classed as Level 3 investments and carry with them a higher degree of risk in terms of valuation. The valuation risk is increased given the increased requirement for the use of estimation techniques, and reliance on the fund manager's judgement when valuing the assets.

**Approach:** We will review the investment portfolio to consider the extent of the diversified growth funds held and agree the value assigned to the diversified growth funds by the fund managers. We will:

- Confirm the information provided to the fund managers by the Authority;
- Review the fund manager valuation and consider the disclosure implications;
- Consider the professional competence of the fund manager; and
- Consider the assumptions made by your fund managers to benchmarks, including those which are collated by our KPMG experts, and to the assumptions used for 2015/16 for consistency.



## Other areas of audit focus - Authority

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

### **Risk:** Restatement of prior year comparatives in the CIES

During past years, CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The key objective of this project was to make Local Government accounts more understandable and transparent to the reader in terms of how the Councils are funded and how they use the funding to serve the local population. Outcome of this project resulted in two main changes in respect of the 2016-17 Local Government Accounting Code (Code) as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MIRS) and replaces the current segmental reporting note

As a result of these changes, retrospective restatement of CIES (cost of services), EFA and MiRS is required from 1 April 2016 in the Statement of Accounts.

New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable Accounting Standards.

Though less likely to give rise to a material error in the financial statements, this is an important material disclosure change in this year's accounts, worthy of audit understanding.

**Approach:** Review the basis for the restatement and confirm that the new presentation is in line with the Code of Practice on Local Authority Accounting. We will:

- Assess how the Authority has actioned the revised disclosure requirements for the CIES, MiRS and the new EFA statement as required by the Code; and
- Check the restated numbers and associated disclosures for accuracy, correct presentation and compliance with applicable Accounting Standards and Code guidance.



## Materiality

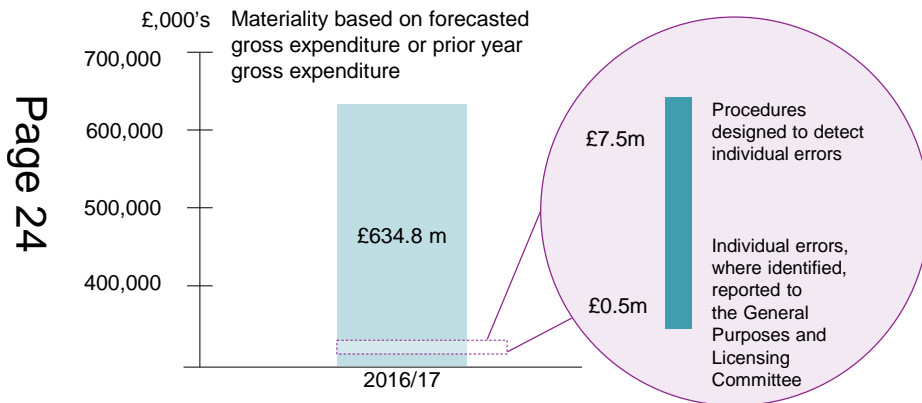
We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

- For the Authority, materiality for planning purposes has been set at £10 million, which equates to 1.58% of gross expenditure.
- For the Pension Fund, materiality for planning purposes has been set at £7.4 million which equates to 1% of net assets.

We design our procedures to detect errors in specific accounts at a lower level of precision.

## Authority:



## Reporting to the General Purposes and Licensing Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the General Purposes and Licensing Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

- In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.5 million.
- In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.35 million.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the General Purposes and Licensing Committee to assist it in fulfilling its governance responsibilities.



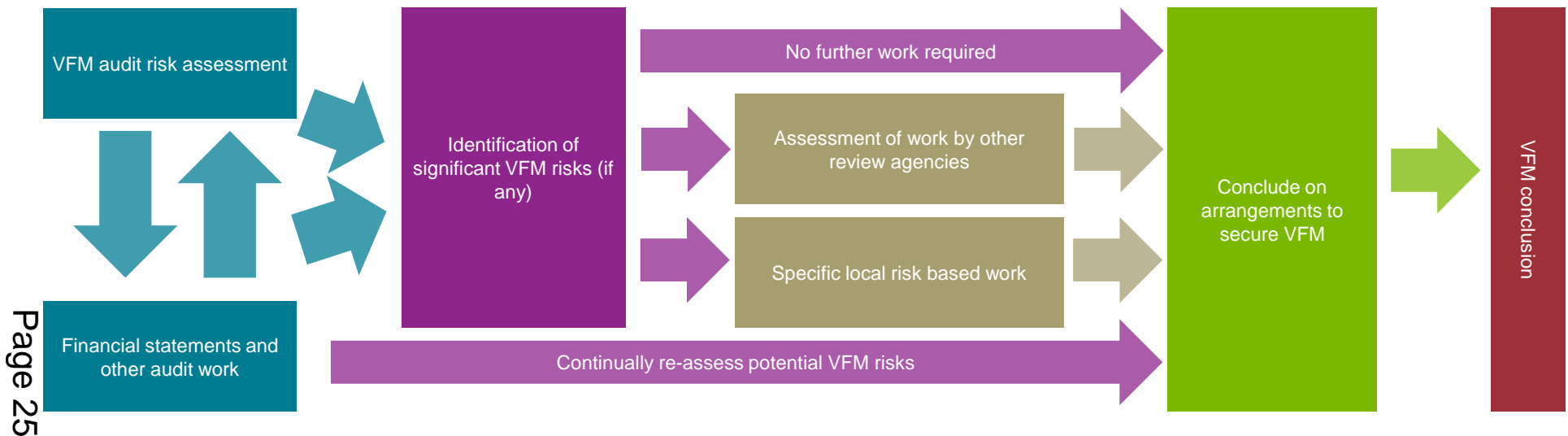


## Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





## Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

### Informed decision making

#### Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

### Sustainable resource deployment

#### Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

### Working with partners and third parties

#### Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

# Value for money arrangements work (cont.)



| VFM audit stage                                         | Audit approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| VFM audit risk assessment                               | <p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> <li>■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li> <li>■ Information from the Public Sector Auditor Appointments Limited VFM profile tool;</li> <li>■ Evidence gained from previous audit work, including the response to that work; and</li> <li>■ The work of other inspectorates and review agencies.</li> </ul> |
| Linkages with financial statements and other audit work | <p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>                                                                                                                                                                |
| Identification of significant risks                     | <p>The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> <li>■ Considering the results of work by the Authority, inspectorates and other review agencies; and</li> <li>■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>                                                     |



| VFM audit stage                                                                                         | Audit approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Assessment of work by other review agencies; and</p> <p><b>Delivery of local risk based work</b></p> | <p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> <li>■ Meeting with senior managers across the Authority;</li> <li>■ Review of minutes and internal reports;</li> <li>■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.</li> </ul> |
| <p><b>Concluding on VFM arrangements</b></p>                                                            | <p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>                                                                                                                       |
| <p><b>Reporting</b></p>                                                                                 | <p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report. If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake.</p>                                                                                                                                                                                                                                       |



## Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

### Financial resilience

- **Risk:** Local Authorities are subject to an increasingly challenged financial regime with reduced funding from Central Government, whilst having to maintain a level of services to local residents. The Council is facing a number of ongoing funding pressures.
- **Approach:** We will review the robustness of the Council's financial position and financial management procedures, taking account of the position reported in the Medium Term Financial Strategy, the overall level of reserves and budget setting strategies. We will consider forecast financial data over both the immediate and long term plans and evaluate the likelihood of the Council achieving the budgeted position. We will also take into account the latest government spending policies and anticipate their effect on the Council's outturn position. Our work will include consideration of whether the Council is considering moving into non-traditional investment areas to compensate for the reducing funding.

### Findings from regulatory bodies

- **Risk:** In June 2016 Ofsted published a report grading the Authority's children's services as 'inadequate'. The Authority has made a number of personnel changes following the inspection and has put in place an improvement plan which is being monitored by Senior Management. The Authority is working with the appointed Commissioner to improve services. This resulted in an 'except for' qualified VFM conclusion in 2015/16.
- **Approach:** We will review the Council's response to the Ofsted report including how the Council is working with the Commissioner to improve services. We will consider how the approach to improving services is being managed across the Authority, for example, whether there is an appropriate amount of Senior Manager and Councillor oversight of issues. We will also consider the results of any recent relevant reports from Ofsted or similar bodies.

### Overspends in Children's Services

- **Risk:** Following the June 2016 Ofsted report, there have been a number of overspends within Children's Services. This could indicate that resources within this area are not being deployed in a sustainable manner.
- **Approach:** We will review the financial position of the Children's Services Directorate, including savings plans which have been put in place in response to the budget overspends (whilst still considering the requirement to sustainably improve services in light of the Ofsted report). We will consider whether the current spending is sustainable in the future, and model effects on the Medium Term Financial Strategy of further overspends within the Children's Services Directorate.

## Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

## Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

## Our audit team

Our audit team will be led by Phil Johnstone, supported by Hannah Andrews and James Seegar. Jonny Chowis will be the Assistant Manager. The team is consistent with the prior year, however, James is new, covering Hannah's maternity leave. Appendix 2 provides more details on specific roles and contact details of the team.

## Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team, the Audit Sub-Committee, and the General Purposes and Licensing Committee. Our communication outputs are included in Appendix 1.

## Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

## Liaising with internal audit

ISA (UK & Ireland) 610 (revised June 2013) defines how we can use the work of internal audit. Our approach ensures we comply with these requirements. We will continue to liaise with internal audit and review the findings from their programme of work for 2016/17. We will also consider any significant control deficiencies identified by internal audit and ensure that we take this into account where relevant to determine the nature of our audit work to ensure the risk is appropriately addressed.

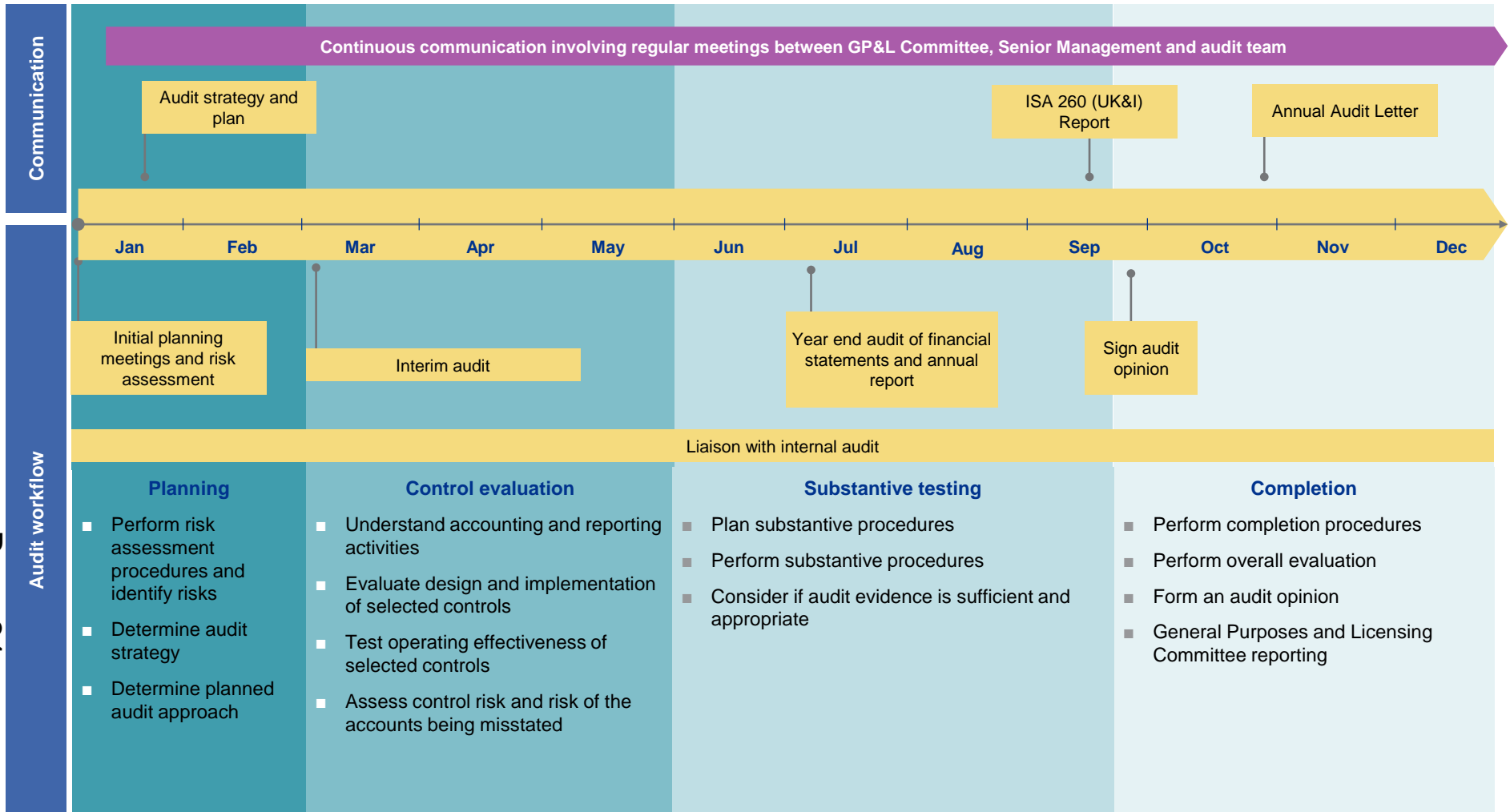
## Audit fee

*Our Audit Fee Letter 2016/2017* presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2016/17 is £119,076 for the Authority. The planned audit fee for 2016/17 is £21,000 for the Pension Fund. These fees are set by the PSAA and are consistent with the prior year. The fee set by the PSAA for the Housing Benefit certification is £17,476 (2015/16 £10,890).

Our audit fee may be varied later, subject to agreement with PSAA, for changes in the Code, specifically this year the changes in relation to the disclosure associated with retrospective restatement of CIES, EFA and MiRS. If such a variation is agreed with PSAA, we will report that to you in the due course

# Appendix 1: Key elements of our financial statements audit approach



# Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the London Borough of Bromley audit last year, with the exception of James Seegar who is a new Senior Manager to the Team.



**Phil Johnstone**

*Director*

*020 7311 2091*

| Name     | Phil Johnstone                                                                                                                                                                                                                                           |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Position | Director                                                                                                                                                                                                                                                 |
|          | <p>My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the General Purposes and Licensing Committee, Audit Sub-Committee and Chief Executive.</p> |

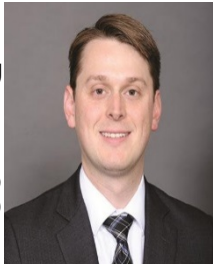


**Hannah Andrews**

*Senior Manager*

*020 7694 8868*

| Name     | Hannah Andrews                                                                                                                                                                                                                                                          |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Position | Senior Manager                                                                                                                                                                                                                                                          |
|          | <p>I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with James and Phil to ensure we add value.</p> <p>I will liaise with the Director of Finance and other Executive Directors.</p> |



**James Seegar**

*Senior Manager*

*020 7311 4163*

| Name     | James Seegar                                                                                                                                                                                                                                                             |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Position | Senior Manager                                                                                                                                                                                                                                                           |
|          | <p>I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Phil and Hannah to ensure we add value.</p> <p>I will liaise with the Director of Finance and other Executive Directors.</p> |



**Jonny Chowis**

*Assistant Manager*

*020 7311 4059*

| Name     | Jonny Chowis                                                                                                           |
|----------|------------------------------------------------------------------------------------------------------------------------|
| Position | Assistant Manager                                                                                                      |
|          | <p>I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.</p> |



# Appendix 3: Independence and objectivity requirements

## Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the General Purposes and Licensing Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

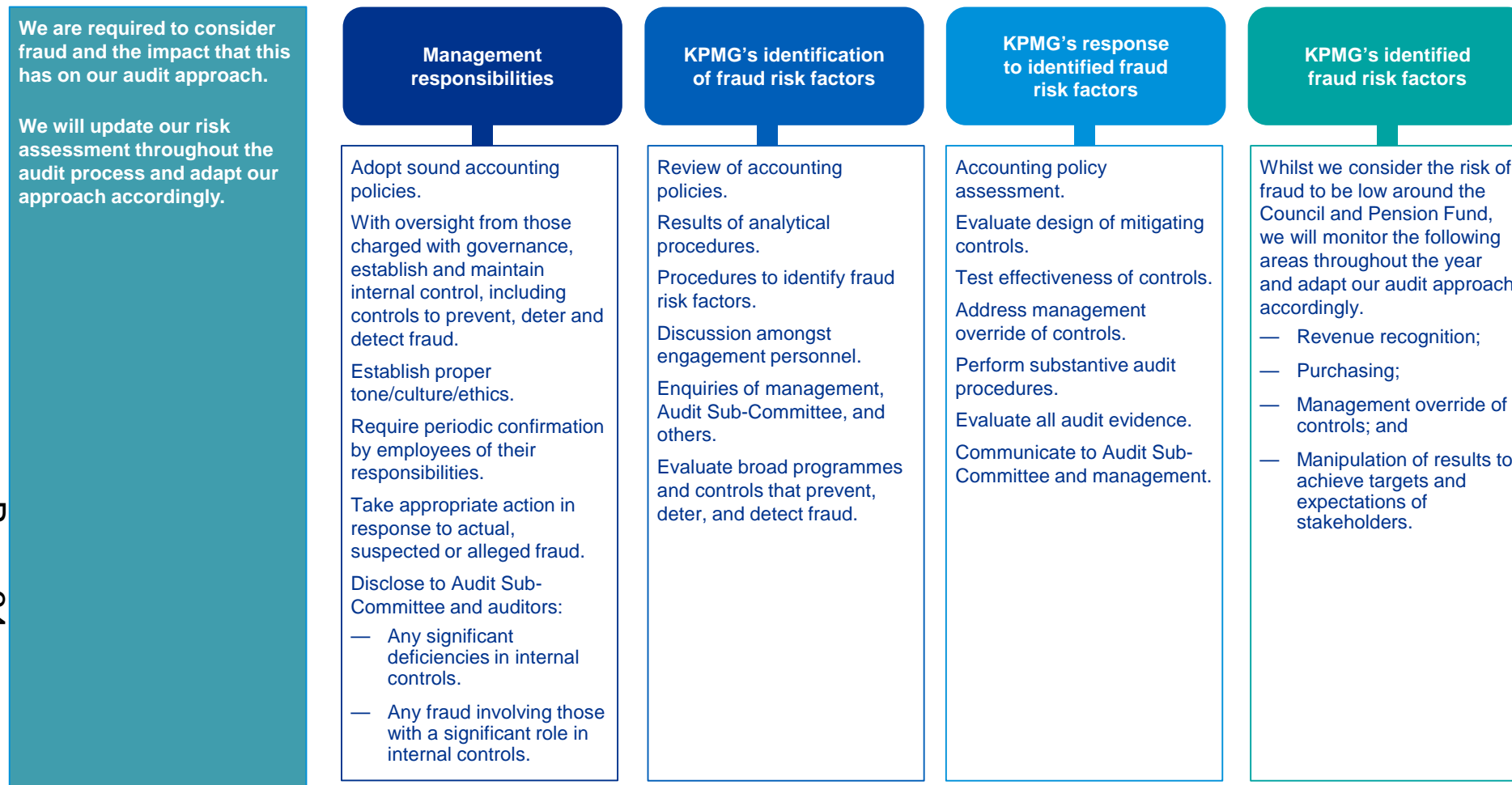
- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

## Confirmation statement

We confirm that as of 1 January 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

# Appendix 4: Responsibility in relation to fraud



# Appendix 5: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

**Tone at the top:** We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Your engagement lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

**Association with the right clients:** We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

**Clear standards and robust audit tools:** We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudit application has significantly enhanced existing audit functionality. eAudit enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting

Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the NAO's *Code of Audit Practice*.

**Recruitment, development and assignment of appropriately qualified personnel:** One of the key drivers of audit quality is assigning professionals appropriate to the Council's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.





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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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointments's website ([www.psaa.co.uk](http://www.psaa.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, by email to [Andrew.Sayers@kpmg.co.uk](mailto: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](mailto: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.

Report No.  
FSD 17035

London Borough of Bromley

## PART ONE - PUBLIC

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**Decision Maker:**      **AUDIT SUB-COMMITTEE**

**Date:**                      **Tuesday 4 April 2017**

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

**Title:**                      **ANNUAL INTERNAL AUDIT PLAN 2017-18**

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

**Chief Officer:**              Director of Finance

**Ward:**                      (All Wards);

---

1.    Reason for report

This report informs Members of the Internal Audit Plan for 2017-18.

---

2.    **RECOMMENDATION(S)**

**Members are asked to comment on the Internal Audit Plan for 2017-18.**

## Impact on Vulnerable Adults and Children

1. Summary of Impact: None
- 

## 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.
- 

## Legal

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

## Procurement

1. Summary of Procurement Implications: Some planned audits will have procurement implications
- 

## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Estimated number of users/beneficiaries (current and projected): Approximately 100 including Chief Officers, Senior Managers, 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 current Public Sector Internal Audit Standards which we are required to adopt defines Internal Audit as:

‘Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’

3.2 As in previous years the purpose of the Internal Audit Plan is to:

- Optimise the use of audit resources available, given that these are limited as explained later in this report
- Identify the key risks facing the Council to achieving its objectives and determine the corresponding level of audit resources
- Ensure effective audit coverage of high risk areas and a mechanism to provide Members, governors, head teachers and senior managers with an overall opinion on the auditable areas and the overall control environment
- Add value and support senior management in providing effective control and identifying opportunities for improvement
- Supporting the Council’s nominated Section 151 Officer
- Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015.
- Reviewing Value for Money arrangements for designated audits in the plan where possible as approved by Members of this Committee.
- Allow flexibility to take on fraud and investigation work and participate in any proactive work.
- Assist External Audit in forming an opinion on the annual audit of the financial statements by placing reliance on the work of Internal Audit

3.3 Members of this Committee will also be informed in late April 2017 on progress made against the 2016/17 Internal Audit Plan. There has been some slippage primarily due to sickness and investigative work.

3.4 The Audit Plan coverage is largely aimed at:

- The Chief Executive and Directors
- Other managers throughout the Council
- Members and in particular those of the Audit Sub Committee
- Governors and head teachers of maintained schools still under LB Bromley control
- External Audit

3.5 For the audit plan covering 2017/18 the methodology adopted as in previous years was as follows:

- Consultation with Chief Officers, the Director of Finance and other senior officers.
- Attendance of DMTs where requested.
- Use of the directorate risk registers and in particular identifying those risks that had a financial impact.

- Ensuring that the plan covers all fraud risks as identified in the TEICCAF's 'Protecting the Public Purse'.
  - Limited use of an audit risk methodology questionnaire that has been modified to take into account monetary/financial values for both income and expenditure; inherent risk factors; Internal Audit and other party perception of the service; complexity of the system; period since the last internal audit or outside inspection; service delivery-shared service, in house or contracted out; risk management assessment.
  - Identify any areas that would require audit input as a result of legislation changes, government funding requirements or new areas for coverage where councils are now responsible e.g. Community Infrastructure Levy.
  - Issues arising from audits and audit investigations and specific management requests.
  - Recognition of the changing structure of this organisation and the drive towards commissioning services
- 3.6 In comparison to last year we are now proposing that the audit coverage for 2017/18 slightly decrease from 811 days to 800 days. (See Appendix A). Comparison to London Boroughs is difficult given that most have either entered into shared services or externalised the function. In the event of slippage due to the need to undertake unplanned work we have a contingency set aside to buy in services from an outside contractor under a framework agreement that some other London Boroughs also utilise. We are proposing that only 20 days be allocated to school audits given the diminishing number of schools still under Council control. We have also taken in to account that one of our Principal Auditors has been tasked with risk management following the deletion of a part time risk officer post.
- 3.7 The time spent on the plan also excludes days spent on servicing this Committee.
- 3.8 **Internal Audit and External Audit** – we continued to communicate with the external auditors at Bromley to ensure the Authority's audit resource was effectively managed and targeted. Their audit plan is on this agenda.
- 3.9 The plan includes the following audits that are designated fundamental systems where key financial controls need to be covered to allow an opinion on the overall control environment as part of the statutory Annual Governance Statement. These systems include debtors, creditors, payroll, NNDR, pensions, council tax, housing benefits and council tax reduction, treasury management, parking, cash and banking, main accounting system/revenue budgetary control, temporary accommodation and procurement. These are all included in the attached 2017/18 plan – Appendix A.
- 3.10 **Commissioning**- As in 2016-17 we have allocated a block of time - 40 days in 2017-18 to commissioning. We have had discussions with the Director of Commissioning to agree the best use of Internal Audit time. We have identified four areas of work where audit will have an input.
- 3.11 Pre Commissioned Health checks where services are due to be commissioned out. The health checks will include the feasibility study and business case conducted, with detailed benefits analysis; due diligence, governance and reporting arrangements; the most appropriate service delivery model has been considered; effective change management and communication plans have been put in place; that there is an effective client management monitoring / client operation arrangement in place; property issues have been adequately considered; stakeholder engagement and consultation has been carried out; IT arrangements and processes including security, ownership and processing of data has been addressed; robust contract management arrangements have been put in place; an exit strategy / continuity of service has been considered if the contract needs to be terminated; practical and enforceable penalties are



written into the contract; outcomes are measurable, with realisation of intended benefits; management of risk; sustainable service delivery; adequate tools are in place to tackle poor performance; robust performance indicators are included in the specification or Service Level Agreement.

- 3.12 Audit of the Contracts Database and how each directorate is using it as a monitoring tool for management information, governance, training and guidance for users. Reviewing the system for recording and availability of contracts within the Council.
- 3.13 Post Implementation reviews – following up on contracts that have been let during 2016/17, in particular Total Facilities Management and Parking Services.
- 3.14 Contract Monitoring- A review of contract monitoring arrangements for a few high value contracts at DMT level, incorporating quarterly project plans, contract register information, meetings with contractors, defaults, complaints, reporting of key performance indicators. To check contracts being held under seal and associated documents.
- 3.15 Within each directorate there will be further commissioning and contract auditing e.g. a further 15 days allocated to follow up on waste services allocated within the ECS plan as shown in Appendix A.

### **3.16 Audit Plan coverage**

- To deliver the statutory requirements of the Accounts and Audit Regulations 2015.
  - To provide ongoing assurance to management on the integrity, effectiveness and operation of the Authority's internal control system.
  - Delivery of the Annual Audit Plan in particular high risk audit reviews.
  - To be responsive to transformational change and service demands.
  - To continue to meet the requirements of Bromley's External Auditors.
  - To further embed integration of internal audit work with governance and managing risk to produce a clearly coordinated risk-based approach to the audit of business/operational systems across the Authority.
  - To ensure agreed management actions to audit recommendations made are fully implemented and in particular the Priority 1 recommendations.
  - To continue to develop and have a lead in the Borough's corporate governance arrangements including review and production of the 'Annual Governance Statement' to provide assurance on the Authority's governance arrangements and any areas for improvement.
  - To provide an effective reactive corporate counter fraud service in accordance with the Borough's anti-fraud and corruption strategy.
  - In conjunction with the R B Greenwich continue to be proactive in counter fraud including delivery of comprehensive fraud awareness for staff in the prevention and detecting of fraud and irregularities.
  - To continue to develop our role and work closely with the Audit Sub Committee.
  - To contribute and support where appropriate the Value for Money Programme assessment arrangements.
  - Carry out any investigation arising from the flexible/mortality NFI data matching and through any whistle-blowing.
  - Adequate coverage is offered to schools still under LB Bromley responsibility
- 3.17 The plan proposed has been risk assessed to ensure that all high risk auditable areas are covered off. Therefore, in order to discharge its responsibility, Internal Audit has to focus work on the key fundamental systems and other areas of high risk to the Authority to inform the opinion on the control environment in place. These reviews will continue to inform the Annual Governance Statement that will be required at the end of the financial year.

- 3.18 Although the Internal Audit function plays a critical role in assessing the control environment, the conclusion on the Statement of Internal Control, forming part of the Annual Governance Statement, should be considered based on evidence from a number of other sources. These include the External Auditor's reports; the Annual Internal Audit report, which gives an opinion on the system of financial control; reports from other review agencies, such as Ofsted and the HM Inspectorate of Probation, the Care Qualities Commission and direct assurances from management responsible for internal controls in particular areas. These direct assurances will be relied on more frequently as the core internal audit resource has reduced in recent years
- 3.19 The total planned coverage for 2017/18 of 800 days includes:
- core system audits;
  - operational audits across the directorates;
  - Bromley controlled schools;
  - a total of 80 days for fraud and investigative work;
  - 39 days for work in progress carried forward from 2016/17 split to the three directorates;
  - provision for advice and support;
  - 70 days contingency time split to the three directorates to cover unplanned work such as management requests or further testing that may be required in the event of initial field work indicating major findings. (See Appendix A).
- 3.20 The audit plan coverage of 800 days is arrived at after deductions for bank holidays, annual leave including carried forward leave, training, sick leave, liaison with outside bodies including our External Auditors, management time, time spent in servicing this Committee.
- 3.21 The plan as indicated in Appendix A allocates 335 days to the Chief Executives Department to reflect responsibility for key financial systems, IT, Legal, Regeneration and Transformation to include commissioning and HR; 260 days to Education, Care and Health Services including schools; and Public Health; 125 days to Environment and Community Services; and 80 days for fraud and investigation work including NFI work and monitoring the partnership agreement with RB Greenwich.(Appendix A)
- 3.22 Review of VFM arrangements**
- 3.23 Members of this Committee had previously agreed a simple methodology for Internal Audit to use in assessing the value for money arrangements for designated areas covered in the audit plan. The basis of using VfM methodology was agreed by members of this Committee and involves scoring VFM arrangements in a range of 1 – 4, with 1 equating to not met and 4 equating to fully met.
- 3.24 In the 2016/17 plan, we had provisionally highlighted the following audits that could be subject to VfM arrangements: Early Years and Residential Placements for Older Persons. The audit for Early Years has been carried forward to 2017/18. The costs paid to Providers are based on agreed rates per child, which although set by Bromley are based on guidance from EFA. It is the Parent's decision as to which provider to use and provided that a minimum number of requirements are met, we have to fund the placement. The budget for Early Years is £14,830,560. This is for 2,3, and 4 year old funding. Of this, the revenue ancillary costs are budgeted as £305,860 (mainly salary costs). Direct budgeted expenditure to Early Years providers is £14,317,680, all of which will be directly recovered from the DSG grant. It is therefore considered that a review of VfM arrangements of Early Years would not be useful. The Residential Placements audit was merged with the Central Placements Team audit and is work in progress and we will report on VfM arrangements in 2017/18.
- 3.25 We have carried out the review of VfM arrangements on Special Educational Needs (SEN) brought forward from 2015/16 and reported it to this Committee in July 2016 with a rating of 3

out of 4. Due to the reduction in audit resources we are proposing to carry out two reviews of VfM arrangements for the following audits in 2017/18 – Children with Disabilities and Business Rates NNDR.

3.26 The individual scope and terms of reference for each audit area is finalised at the time of the audit. A summary of the audits planned for 2017/18 is attached at Appendix A, with an indication of probable topics to be covered.

3.27 The table below provides a summary of the main types of methodology undertaken.

#### Summary of Audit Methods and Techniques

| Audit Method/Technique                                                          | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planning                                                                        | A risk based internal audit plan will be created on an annual basis which will incorporate key risk areas within the Council, in line with strategic and operational risk registers, and the Council's Risk Management Policy. Strategically we will aim to review all operational service areas within a cyclical period not exceeding 3 years, while all business critical systems and high risk areas will be reviewed annually.                                                                                                                                                                                              |
| Risk-based system audits                                                        | One of the main ways that Internal Audit will form a view on the overall control system is by carrying out reviews of the component systems and processes established within respective business entities. These are commonly known as risk-based system audits and will allow Internal Audit to assess the effectiveness of internal controls within each system in managing business risks, thereby enabling a view to be formed on whether reliance can be placed on the relevant system. This approach will enable resources to be used in a more efficient way, while maximising the benefit which could be derived from it |
| Compliance/regularity/establishment audits                                      | These audits are intended to assess if systems are operating properly in practice. They are typically site-based (establishment) and focus on the propriety, accuracy and completion of transactions made. The term 'site' includes departments, services or devolved units. The audits may focus on specific systems or cover transactions in all major systems. This will also provide information and evidence about the extent, in practice, of compliance with organisational policies, procedures and relevant legislation.                                                                                                |
| A combination of pre audit questionnaire and internal audit testing for schools | Internal Audit issue pre audit questionnaire self-assessment audits complemented by audit testing of schools to make sure compliance with the schools' financial regulations and to provide an assurance to head teachers and governors.                                                                                                                                                                                                                                                                                                                                                                                         |
| Key Control Testing                                                             | A variation on compliance audit but focusing on a small number of material or 'key' controls that provides assurance on the completeness and adequacy of the Council's accounts. This can provide the basis for External Audit to place reliance on the work of Internal Audit. These audits are on the main accounting systems and processes including debtors, creditors, payroll and income.                                                                                                                                                                                                                                  |
| Procurement Audit                                                               | This will be a strategic assessment of the risks associated with the Council's procurement activities and future plans. This will cover review of and compliance with the Council's corporate procurement strategy and associated management structures and processes, including the Contract Procedure Rules.                                                                                                                                                                                                                                                                                                                   |

| Audit Method/Technique        | Explanation                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                               | This audit will also consider Value for Money aspects and review of cumulative spends.                                                                                                                                                                                                                                                                             |
| Control Risk Self -Assessment | Facilitating the review by services of their own risks and controls in a structured way, for example, via questionnaires or workshops. This has not been utilised as was previously envisaged due to time input requirements from both auditees and auditors given reducing staff resources.                                                                       |
| Systems Development Audit     | Phased review of developing plans and designs for new systems and processes aimed at identifying potential weaknesses in control during the development stage thus minimising the need for re-working.                                                                                                                                                             |
| ICT Audit                     | Review of the control of hardware, software and the ICT environment to evaluate fitness for purpose and security of the ICT environment.                                                                                                                                                                                                                           |
| Evidence                      | All audit findings, conclusions and recommendations will be evidenced on file held online. Relevant details on which findings and recommendations are based will also be supported by evidence held on file within the Internal Audit Section.                                                                                                                     |
| Use of Technology             | Internal Audit will employ relevant technology where appropriate when testing systems and when producing working papers and reports. Additionally Internal Auditors will be alert to IT risk in relation to technology utilised within systems under review. We can also use IT for data matching to identify fraud and overpayments. We also use IT for sampling. |

### 3.28 Changes that have resulted in input to the 2017/18 plan:

- Allocation of time to cover the commissioning agenda that will impact on the plan as detailed in paragraph 3.10 above.
- An emphasis on additional time allocated to contract auditing following concerns on contract management and monitoring issues that are expanded elsewhere on this agenda.
- Emerging risks that can result in losses through fraud, overpayments or poor controls.
- Management concerns and potential major audit findings that could arise hence the need for 75 days of contingency time.
- Issues arising from the proactive exercises that are ongoing and detailed elsewhere on this agenda

### 3.29 Regularity audits including schools

3.30 These audits are undertaken on a rolling cyclical programme, with the frequency of review determined by an assessment of risk, previous audit findings, management requests and are designed to ensure the proper administration. They are, in general, schools and establishment audits where the propriety, accuracy and recording of all transactions, and the proper function of the main systems in operation, are tested by audit staff by means of detailed examination of individual transactions to ensure that there is no impropriety.

3.31 The objective of the audit is primarily to discharge the Director of Finance's statutory S151 responsibility but also to provide an assurance to client management on the proper and effective administration of their area of responsibility. This is particularly relevant where the main elements of control are exercised at a local level such as schools. The audits will be carried out using a range of standard audit programmes, the most common of which is the pre audit questionnaire issued to schools combined with audit testing for schools. The number of days allocated to schools is 20 days (which will cover 5 schools plus time allowed for follow ups) compared to 30 days in 2016/17. The reduction also takes in to account that closure audits for schools that have converted to academy are covered by the Schools Finance Team and the fact that we now have only 14 schools still under Bromley's control as at the time of writing this report. It is believed that at least 3 schools will convert to academy status in 2017/18.

### 3.32 Risk based audits

The audits proposed in the plan involve identifying key risks within the auditable area and the auditor's role is to review the internal control system in place to mitigate these risks. Please refer to paragraph 3.5 on factors that are considered in risk assessing an auditable area. This represents agreed best practice from a professional audit service. Conduct of an audit using this methodology will enable us to:

- assess how internal controls are operating in a system, thereby forming a view on whether reliance can be placed upon the system
- provide management with assurances that systems are adequately meeting the purposes for which they were designed
- provide constructive and practical recommendations to strengthen systems and address identified risks
- use findings to feed into an overall opinion on the control framework, thereby fulfilling S151 responsibilities
- provide appropriate evidence for External Audit and other review agencies

### 3.33 Standards

3.34 Internal Audit within Bromley continues to remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgments and recommendations. The reporting lines of the Head of Audit to the Section 151 Officer who is the Director of Finance, the Audit Sub Committee, and updates to the Director of Corporate Services ensures both the independence and impartiality of Internal Audit as well as ensuring a high profile for the service. Furthermore, Internal Audit operates in accordance with the four main ethical principles: integrity, objectivity, competence and confidentiality. In particular:

- All audit staff will make themselves familiar with the strategies, policies and procedures of the Council, in particular the Council's Constitution and Code of Corporate Governance, Financial Regulations and Contract Procedure Rules. Audit planning will be risk based and demonstrate a link to strategic and operational risk assessments.
- Audit also has an internal audit manual that acts as a guide for internal auditors.
- A peer review of Internal Audit by another London Borough, resulted in a 'generally conforms' outcome. '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.

- The Annual Internal Audit Plan will be reviewed and updated on an ongoing basis to address emerging risks and any significant amendments will be notified and agreed with the Chief Executive and this Committee. Updates on progress are provided to both Audit Sub Committee and Chief Officers.
- The Head of Audit will have direct access to the Chair of this Committee and will be available at the Chairman's request. Audit reviews carried out will comply with the Public Sector Internal Audit Standards and CIPFA Code of Practice for Internal Audit and the Head of Audit will review all files to ensure consistency.
- Auditors will aim to complete all reviews within specified timescales to ensure completion of the audit plan. All reports will be reviewed and authorised at the appropriate level before issue.
- A listing of all recommendations raised will be maintained. A summary of the key internal audit recommendations posing a high risk will be reported to each Audit Sub Committee.
- A summary of all audit reports giving details of opinion, number of recommendations and the category of priority i.e. 1, 2 or 3 and type of findings will be reported to this Committee as part of the annual audit report.
- Investigations of suspected fraud and irregularity will be carried out in accordance with Council procedures and relevant good practice/legislation. Such investigations will be undertaken or supervised by staff with relevant knowledge and experience and in liaison with police and other regulatory bodies where relevant. Reference should be made to the Council's Anti-Fraud Corruption Policy and Strategy. Given the level of time spent on fraud and investigations in 2016/17 and NFI 2016 data matching results, we have allowed for at least 80 days provision for this purpose. This will be supplemented by the availability of the Royal Borough of Greenwich's Internal Audit and Anti-Fraud Team's expertise to assist us with any fraud investigations.
- Internal Audit staff will be appropriately qualified and experienced. Adequate training will be offered to staff to close any identified skills gap. Allocation of audit tasks will be in line with staff qualifications and experience.
- All finalised Internal Audit reports except those where exemptions apply, are now published on the web

3.35 All audit staff will ensure they conduct themselves in accordance with the Council's Code of Conduct and the Public Sector Internal Audit Standards. Internal Audit staff have been DBS checked and are required to sign off conflict of interest forms.

#### **4. IMPACT ON VULNERABLE ADULTS AND CHILDREN**

The contents of this report have implications for both adults and children in respect of audits that will be undertaken in both children and adults.

## **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**

Of the 5.5 FTEs who are in post there will be at least the equivalent of 5.0 FTEs who will directly be involved in carrying out this plan. An element of the Head of Audit's time i.e. 0.5 FTE will not be involved in direct audit planned work.

## **8. LEGAL IMPLICATIONS**

- 8.1 Under Section 151 of the Local Government Act 1972 the Authority is required to make proper arrangements in respect of the administration of its financial affairs.
- 8.2 The provisions of the Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective internal audit function.

## **9. PROCUREMENT IMPLICATIONS**

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

|                                                       |        |
|-------------------------------------------------------|--------|
| <b>Non-Applicable Sections:</b>                       | Policy |
| Background Documents:<br>(Access via Contact Officer) | None   |

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| AUDIT PLAN 2017/18 SUMMARY                                 |                     |                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                            |                     |                                                                                                                                                                                                                                                                                                                   |
| <b>Department</b>                                          |                     | <b>Total Days</b>                                                                                                                                                                                                                                                                                                 |
| Chief Executives                                           |                     | 335                                                                                                                                                                                                                                                                                                               |
| Education Care and Health Services including Public Health |                     | 260                                                                                                                                                                                                                                                                                                               |
| Environment & Community Services                           |                     | 125                                                                                                                                                                                                                                                                                                               |
|                                                            |                     |                                                                                                                                                                                                                                                                                                                   |
| Anti-Fraud and Investigations                              |                     | 80                                                                                                                                                                                                                                                                                                                |
|                                                            |                     |                                                                                                                                                                                                                                                                                                                   |
|                                                            |                     |                                                                                                                                                                                                                                                                                                                   |
| <b>Total Audit Days</b>                                    |                     | <b>800</b>                                                                                                                                                                                                                                                                                                        |
|                                                            |                     |                                                                                                                                                                                                                                                                                                                   |
| <b>Chief Executives</b>                                    |                     |                                                                                                                                                                                                                                                                                                                   |
| <b>Audit</b>                                               | <b>Planned Days</b> | <b>Coverage</b>                                                                                                                                                                                                                                                                                                   |
| Council Tax                                                | 15                  | Collection/Recovery methods, including provision for Bankruptcy and key controls. Also to test a sample of local council tax support payments, SPD and SPD application process and accounts in arrears                                                                                                            |
| Creditors                                                  | 20                  | Annual review of creditors. To include testing key controls around reconciliations, correct postings and purchase orders being correctly raised. Check duplicate payments not being made. Check utility payments are being paid accurately.                                                                       |
| Housing Benefit                                            | 15                  | Audit to cover key controls, overpayments, . Review housing discretionary fund and those not constrained by bedroom tax and error rates in assessment. Arrangements in place for Universal Credit                                                                                                                 |
| NNDR                                                       | 10                  | Coverage of key controls, and arrangements for billing, valuation, changes to reliefs and recovery and enforcement and refunds. To include data matching licensing and other data to properties, specifically debtors. Fair Revenue distribution- incorrectly calculated, revaluation taking place this year. VFM |
| Cash & Banking                                             | 10                  | To include coverage of the new kiosks at Penge Library, cash receipting and parking cash collection. To review the process for writing off differences in banking.                                                                                                                                                |
| Pensions                                                   | 10                  | Coverage of key controls of reconciliations and performance; Controls around pensions control account. To look at re-enrolment and the procedures for annual and lifetime allowances. To consider the transfer of Bromley College to Greenwich, there will be increased transfer outs.                            |
| Debtors-Income                                             | 20                  | To cover reconciliations, postings, debt recovery and long term arrears, credit notes and write offs. New system online from 1st April 2017, check controls around this. Also check that invoices are being cancelled/waived appropriately.                                                                       |

|                                                           |            |                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Treasury Management                                       | 10         | To cover key controls of investment register of loans and investments, review compliance with investment limits and investment policy. Also to check controls around making and receiving investments                                                |
| Main A-C System and Revenue Budgetary Control             | 15         | To test key controls, authorisation of budget monitoring, budget setting and accuracy of budget monitoring information and controls around financial administration                                                                                  |
| <b>Chief Executives Finance-Fundamental Systems total</b> | <b>125</b> |                                                                                                                                                                                                                                                      |
| IT Audit-Review of CareFirst system                       | 12         | To test the accuracy and completeness of information held, charges being raised and adequacy of access controls                                                                                                                                      |
| Data Security and Information Governance                  | 15         | A review of data security regarding arrangements in place to mitigate data loss, including how data is shared with 3rd parties. To review Information Governance arrangements and compliance with Procedures                                         |
| Capita One                                                | 5          | Review of the Capita One database                                                                                                                                                                                                                    |
| IT project delivery                                       | 10         | £7million capital funding in 2016-17 for IT                                                                                                                                                                                                          |
| New Housing and IDScan systems                            | 5          | To give advice to the implementation of the new housing and Idscan systems.                                                                                                                                                                          |
| <b>Chief Executives IT Total</b>                          | <b>47</b>  |                                                                                                                                                                                                                                                      |
| Payroll-Expenses                                          | 15         | Coverage of key controls, starters, payments, deductions and variation to pay. To look at controls in place to ensure employment status following the HMRC audit                                                                                     |
| HMRC compliance                                           | 10         | Compliance to procedure put in place post HMRC and following IR 35.                                                                                                                                                                                  |
| Corporate Governance                                      | 10         | To check declarations of interests, Gifts and hospitality registers and codes of conduct                                                                                                                                                             |
| Democratic services                                       | 6          | Personal Verification. To be discussed with management                                                                                                                                                                                               |
| <b>Chief Executives-Corporate</b>                         | <b>41</b>  |                                                                                                                                                                                                                                                      |
| Contract Monitoring                                       | 10         | A review of contract monitoring arrangements at DMT level, incorporating quarterly project plans, contract register information, meetings with contractors, defaults, complaints. To check contracts being held under seal and associated documents. |
| Pre-Commissioning Health Checks                           | 10         | Health checks on those services which are due to be outsourced for example those included in the Environmental Services Strategy                                                                                                                     |
| Contracts database                                        | 10         | An audit of the data processes, management information, governance and training and guidance for users and managers.                                                                                                                                 |
| Post contract Implementation reviews                      | 10         | Post contract implementation review of some contracts let in 2016/17.                                                                                                                                                                                |

|                                             |            |                                                                                                                                                                                                                         |
|---------------------------------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Chief Executives Commissioning</b>       | <b>40</b>  |                                                                                                                                                                                                                         |
|                                             |            |                                                                                                                                                                                                                         |
| <b>Follow-ups</b>                           |            |                                                                                                                                                                                                                         |
| CIL                                         | 2          |                                                                                                                                                                                                                         |
| Biggin Hill/Glades                          | 2          |                                                                                                                                                                                                                         |
| Building control                            | 2          |                                                                                                                                                                                                                         |
| Waivers                                     | 2          |                                                                                                                                                                                                                         |
| Internet usage                              | 2          |                                                                                                                                                                                                                         |
| IT Contract                                 | 2          |                                                                                                                                                                                                                         |
| Follow ups                                  | <b>12</b>  |                                                                                                                                                                                                                         |
| Governance Arrangements                     | 5          | Work required for input into Annual Governance Statement                                                                                                                                                                |
| Work in progress b/fwd 2016/17              | 20         |                                                                                                                                                                                                                         |
| Contingency                                 | 30         |                                                                                                                                                                                                                         |
| Advice and Support                          | 15         |                                                                                                                                                                                                                         |
| <b>Total CEX</b>                            | <b>335</b> |                                                                                                                                                                                                                         |
|                                             |            |                                                                                                                                                                                                                         |
| <b>Education,Care &amp; Health Services</b> |            |                                                                                                                                                                                                                         |
| Leaving Care Team                           | 10         | Review and evaluate the system for payment and monitoring of grants. Consider the timely completion of pathway plans and the placement of 18+ and 16+ children. Probity check on the imprest accounts used by the team. |
| Tackling Troubled Families                  | 5          | Verification of the 2017-18 claims. Attendance at the TTF Board.                                                                                                                                                        |
| Family Placements                           | 15         | Review the system for the assessment of service and payments. The review will include fostering and adoption, kinship allowances special guardianship and child arrangement orders.                                     |
| Children with Disabilities                  | 10         | Review the system to assess and monitor clients. Include respite, placements and other care settings. Consider the controls in place to ensure that value for money objectives are met.                                 |
| Children's Safeguarding                     | 10         | Review the system to monitor the budget, assessments and controls to ensure all cases are effectively managed within agreed time scales and according to safeguarding procedures.                                       |
| Adults Safeguarding                         | 10         | Review the system to monitor the budget, assessments and controls to ensure all cases are effectively managed within agreed time scales and according to safeguarding procedures.                                       |
| TCES                                        | 10         | System review of TCES including reconciliation of data and costs, scrap and write offs, pooled arrangements with Health, monitoring of the contract with Medequip and the management reports generated.                 |
| Adults with Mental Health                   | 10         | Review the system for referrals, assessment and review clients with mental health. Consider the contractual arrangements with Oxleas.                                                                                   |
| Continuing Healthcare Funding               | 10         | Review the systems to assess and monitor clients moving from social care to health care funding.                                                                                                                        |

|                                               |    |                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                               |    | Evaluate value for money issues regarding end of life funding and ensure that all available funding streams are utilised.                                                                                                                                                                                                                      |
| Direct Payments                               | 10 | Review the system to assess and review clients for direct payments. Consider the contract monitoring for the direct payment support and payroll service. Follow up the recommendations identified in the 2016-17 investigation report.                                                                                                         |
| Housing Register                              | 10 | Review the online applications procedures and the verification process prior to allocation of Housing.                                                                                                                                                                                                                                         |
| Temporary Accommodation                       | 20 | Review the system for placement of B&B, young people and families with no recourse to public funds. Review of ANITE, accuracy and completeness of information, management reports and compliance to agreed procedures. Follow up any control issues arising from the proactive data matching exercise undertaken by Greenwich Fraud Team.      |
| Contributions Policy                          | 10 | Review the system to collect income from Non-Residential charges. Verify the assessed financial contribution, service agreements, collection of income and recovery of debt. Establish procedures to monitor temporary changes that may impact on service delivery and charging. Verify that the agreed fees and charges are correctly levied. |
| Capital Schemes for ECHS                      | 10 | Review the system to ensure compliance to contract procedure rules, including tendering, award of contract and effective project monitoring and management.                                                                                                                                                                                    |
| Contracts and Commissioning For Public Health | 6  | Review of controls on reimbursement for consumables for point of care testing for NHS Health Checks programme to ensure compliance to financial Regulations and Contract Procedure Rules.                                                                                                                                                      |
| Contracts and Commissioning For Public Health | 6  | Review of the pilot for the procurement of NHS Health Checks through GP Alliance to ensure compliance to financial Regulations and Contract Procedure Rules.                                                                                                                                                                                   |
| Contracts and Commissioning For Public Health | 6  | A health check of the new contract for provision of Children's Services (0-5 years) within Public Health to ensure compliance to Financial Regulations and Contract Procedure Rules. (New contract to start in October 2017. Review to be undertaken in Spring 2018.)                                                                          |
| Schools                                       | 20 | To carry out planned school visits.                                                                                                                                                                                                                                                                                                            |
| Early Years                                   | 10 | Review the system to pay providers and the monitoring arrangements of funds allocated to settings for 2, 3 and 4 year olds                                                                                                                                                                                                                     |
| <b>Follow Ups</b>                             |    |                                                                                                                                                                                                                                                                                                                                                |
| SEN                                           | 2  |                                                                                                                                                                                                                                                                                                                                                |
| Learning Disabilities                         | 2  |                                                                                                                                                                                                                                                                                                                                                |
| Youth Offending Team                          | 2  |                                                                                                                                                                                                                                                                                                                                                |
| Bromley Children's Project                    | 2  |                                                                                                                                                                                                                                                                                                                                                |
| Residential Placements                        | 2  |                                                                                                                                                                                                                                                                                                                                                |
| Reablement Team                               | 2  |                                                                                                                                                                                                                                                                                                                                                |
| Looked After Children                         | 2  |                                                                                                                                                                                                                                                                                                                                                |
| Home Tuition                                  | 2  |                                                                                                                                                                                                                                                                                                                                                |
| Carelink                                      | 2  |                                                                                                                                                                                                                                                                                                                                                |

|                                                         |            |                                                                                                                                                                       |
|---------------------------------------------------------|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Work in Progress b/fwd 2016/17                          | 14         |                                                                                                                                                                       |
| Contingency                                             | 30         |                                                                                                                                                                       |
| <b>Total ECHS</b>                                       | <b>260</b> |                                                                                                                                                                       |
|                                                         |            |                                                                                                                                                                       |
| <b>Environment and Community Services</b>               |            |                                                                                                                                                                       |
| Car Parking - Income- multi storey and on street        | 10         | Review key controls to include controls on new collection arrangements and follow-up of previous audit recommendations                                                |
| Car Parking - PCNs                                      | 10         | Audit review to include key controls and new contract arrangements including follow-up of previous audit recommendations                                              |
| Waste Services                                          | 15         | Review of updated working processes and follow up of 2016-17 audit                                                                                                    |
| Transport and Highways                                  | 10         | Review of controls around Crossovers .                                                                                                                                |
| Public Protection                                       | 10         | Review of Licensing                                                                                                                                                   |
| Environment Protection                                  | 5          | Management request -potentially coroners                                                                                                                              |
| Environment Protection-default process                  | 1          | Follow up                                                                                                                                                             |
| Transport and Highways- follow up of street works audit | 2          | Follow up                                                                                                                                                             |
| Strategic Property - Cushman                            | 10         | Review of commercial rents and incentivised savings                                                                                                                   |
| Property -Facilities                                    | 12         | Review new contract arrangements                                                                                                                                      |
| Biggin Hill Airport- Glades                             | 1          | Follow up                                                                                                                                                             |
| Planning                                                | 10         | Review of the system for recording and follow up action into breaches of Planning Regulations. To include a review of pre contract advice and the subsequent process. |
| CIL                                                     | 3          | Follow up                                                                                                                                                             |
| Building Control                                        | 1          | Follow up                                                                                                                                                             |
| Libraries                                               | 10         | Review of stock control and new working arrangements. Scope to be discussed with management                                                                           |
| Contingency                                             | 10         |                                                                                                                                                                       |
| Work in progress b/fwd 2016/17                          | 5          |                                                                                                                                                                       |
| <b>Total ECS</b>                                        | <b>125</b> |                                                                                                                                                                       |

**AUDIT PLAN 2016/17 SUMMARY**

| <b>Department</b>                  | <b>Total Days</b> |
|------------------------------------|-------------------|
| Chief Executives                   | 340               |
| Education Care and Health Services | 210               |
| Environment & Community Services   | 70                |
|                                    |                   |
| Anti-Fraud Work                    | 100               |
|                                    |                   |
| <b>Total Audit Days</b>            | <b>830</b>        |
| <b>No of FTEs</b>                  | <b>6</b>          |

Report No.  
FSD 17036

London Borough of Bromley

## PART ONE - PUBLIC

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**Decision Maker:**      **AUDIT SUB-COMMITTEE**

**Date:**                      **Tuesday 4 April 2017**

**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:**                      (All Wards);

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### 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.
- 3.47   Audit Activity
- 3.50   Waivers
- 3.55   Publication of Internal Audit Reports
- 3.59   Housing Benefit Update on Referrals
- 3.62   Appointment of External Auditors
- 3.64   Head of Audit
- 3.65   Objection to the Accounts
- 3.68   HMRC Update
- 3.70   Training
- 3.72   Risk Management

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### 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 October 2016.**
- d)      **Note the latest on cases referred to the DWP.**

- e) Note the latest position on the options to appoint a local auditor.**
- f) Note the outcome of the recruitment process for Head of Audit.**
- g) Note the final outcome of the objection to the accounts from the External Auditors.**
- h) Note the launch of web based training for risk management, audit controls and focus on fraud.**
- i) 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: Some of the audit findings could have an impact on adults and children.
- 

### 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.
- 

### Legal

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

### Procurement

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

### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 100 including Chief Officers, Senior Managers, 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 The updates on previously recommended priority one recommendations are detailed below. Extra Care Housing (1 priority one recommendation made which has been implemented); Transition Team (1 priority one recommendation made which has been implemented); Learning Disabilities- (3 outstanding priority one recommendations not tested pending management report to Care Services PDS which is referred to below); Community Infrastructure Levy (2 priority one recommendations which are outstanding); Manorfields (2 priority one recommendations made which have been implemented); Document Storage and Retention (2 priority one recommendations which are outstanding); Temporary Accommodation (3 priority one recommendations made that will be followed up and reported to this Committee in June 2017); NNDR (1 recommendation made that will be followed up and reported to this Committee in June 2017).
- 3.3 There have also been audit reports with new priority one recommendations.
- Reablement Team audit that has identified 2 priority one recommendations detailed in Part 2 of this agenda.
  - Waivers report that has identified 2 priority one recommendations detailed below.
  - Leaving Care has identified 1 priority one recommendation detailed in Part 2 of this agenda
  - Waste Services audit that has identified 15 priority one recommendations detailed in Part 2 of this agenda.
- 3.4 **Extra Care Housing**
- 3.5 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. A further follow up of this recommendation including an additional sample of cases checked showed no issues of concern. We therefore consider this recommendation to be implemented.
- 3.6 **Transition Team**
- 3.7 This related to progress on implementation of the recommendation in respect of overpayments and underpayments of direct payments. When this recommendation was followed up for the previous meeting of this Committee, a further case of overpayment was identified. A further follow up of this recommendation has shown that the overpayment and clawback on this case from ECDP has since been made and there has been no further activity on the account. The account balance is nil. We therefore consider the priority one to have been implemented.
- 3.8 **Learning Disabilities**
- 3.9 We had previously reported that there were three priority one recommendations following an audit. These were in respect of:

- Assessments- where in some instances core assessments had not been done, eligibility tests for public funding were not evident, annual client reviews were not carried out and three yearly core assessments were not done.
- Care and Support Plans- where it was identified that in some cases the care plan was not reviewed on an annual basis, that there were cases without a core assessment in place and cases where a care plan was not in place within 4 weeks of the core assessment being completed.
- Service Agreements- where it was identified that in some instances there was no evidence that the panel had authorised the agreements.

3.10 The above findings were referred to the Care Services PDS in January 2017. Management were asked to prepare a response on progress taken to implement the recommendations and report back to the PDS in March 2017. Their response is shown below. Given this we will test for implementation and report back to this Committee in June 2017.

3.11 The Joint Team Manager Integrated Service reports that:-

*“The interim manager has now been in post for 7 months and the priorities have been the service users, cultural changes and adherence to policy. There has also been a familiarisation of the service and the issues, including continuation to review the procedures within the Team and delivering efficiency savings. There is a good solid base of staff now to improve good practice, and ensure professional standards are adhered to. Supervision is provided on a regular basis both on a formal and informal basis to embed and improve good practice.*

*The interim manager is assured that new cases coming through the service are being assessed in accordance with the Care Act 2014 and that information is updated to Care First correctly and in a timely manner. All new assessments are scrutinised to ensure that eligibility assessments are contained within them and authorisation of the assessments are within a timely manner. We are continuing with older cases and data cleansing. Assessments are authorised within line management protocols, ensuring that there is a separation of duties*

*Performance reports are generated from Care First which enables the interim manager to target outstanding reviews, and assessments requiring authorisation. These reports are shared with the management staff in the team to ensure a cohesive approach to good practice and support within the team. The interim manager authorises agreed service agreements, as there is a better understanding that these need to be processed as a priority. Current good practices from the Complex Care East Team have been incorporated within the Learning Disability Team to build upon current good practice within the team.*

*Work continues to ensure that Care Plans are in place within 4 weeks of a completed assessment. Staff are reminded via supervision and team meetings of the need to review and update Care Plans at annual reviews, or re-assessments outside of the review timeline. This is monitored through the authorisation process. It has to be said that this is a work in process and there are positive signs of improvement.*

*Moving forward, all services can only be authorised as a service agreement once the Practice Review Group sheet has been completed and authorised. Prior to the authorising of associated service agreements, reference is always made to the PRG sheet to confirm agreement. If, in an emergency, a service needs to be set up and agreed outside of PRG then Review Group members are consulted, an observation recorded on Care First, and presentation made to the PRG at the earliest opportunity. There is also work in progress to identify where services have been entered on the system historically without agreement or assessment. These are identified through the weekly reports generated from Care First.*

*It is unclear why there is reference to Core Assessments being reviewed every three years. It is standard practice across the Adult services that Core Assessments are only completed on entrance to a service or when there are changes to care needs that may identify a change in service provision outside of the Annual Review schedule. This is referred to in the Assessment and Care Management Practice Guidance (revised 2012), Section 10 Care Management Review, 10.1.1. This should also apply to the Learning Disability Service, as part of Adult Social Care in Bromley.*

*Some challenging staff issues have been inherited including staff sickness, and high turnover, which has improved since the introduction of the current interim manager, and there has been a positive effect on the Team. It has been important to develop and build the morale, performance, and skill set of the team. Regular team meetings are effective with guest speakers invited to attend. Complaints have reduced. Staff are expected to own the information on their Care First Desktops, and to work with their supervisors to ensure timely authorisation of quality assessments to be put forward to the PRG.”*

- 3.12 Internal Audit will be carrying out the follow up review in quarter 1 2017/18 and report the progress to implement the three priority 1 recommendations to Members at the June 2017 meeting.

### 3.13 **Community Infrastructure Levy (CIL)**

- 3.14 There were two priority one recommendations previously reported to this Committee.

- 3.15 When a planning application is received, it should be identified whether or not CIL is liable, with the relevant ‘Y’ or ‘N’ in the CIL liability box on UNIFORM ticked accordingly and confirmation that the measurements submitted are correct. There were several cases where CIL liability has not been identified, which would have resulted in a loss of income to the Council and TfL. It was difficult to quantify numbers in previous years. Our testing has shown that there have been discussions between the CIL team and Planning Development Control team, resulting in training to identify CIL liable applications being given to Planners. A report has now been run from the UNIFORM system to identify cases since April 2015 where liability has not been assessed or recorded. There were 48 cases where liability should have been recorded. These are being progressed and the action taken will be considered as part of the follow up audit to be carried out in May 2017. This recommendation is outstanding.

- 3.16 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. 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 have been issued to the developers by the CIL team for the properties referred to above. A formal programme of spot checks by the CIL team has now been put in place to identify where building work has commenced but the Council has not been notified. Initially, visits were made to five specific areas of the Borough to check approximately sixty properties. Currently, periodic checks are carried out, utilising mapping information to improve efficiency by identifying local clusters of properties to visit. The results of these checks and the action taken will also be considered as part of the follow up audit to be carried out in May 2017. In the original four cases identified, recovery action is continuing. This recommendation is outstanding.

- 3.17 A Member of this Committee had also raised a query at the last meeting about what checks are undertaken when an applicant applied for a waiver, such as self-build relief and should the property be subsequently rented out. Following discussions with management there was a

weakness in checking for properties where a CIL exemption had applied but the property was rented out within a three year period following exemption. It was established that there were 138 properties i.e. new builds/ replacements and extensions with exemptions given, totalling £975K. Possible ways to ensure that there were no breaches would be with the co-operation of other departments checking Electoral, Housing Benefit and Council Tax databases on an annual basis. This has been explored by management and will be checked by the CIL Team going forward. Work has started on checks for the cases identified and 'read only' access to the Academy system has now been given to the CIL team to enable checks to be made against Housing Benefit and Council Tax data. Contact has also been made with the Electoral Team. This will be followed up for the next meeting of this Committee.

### **3.18 Manorfields**

3.19 We had previously reported on Manorfields capital project relating to the refurbishment work in converting to a temporary accommodation establishment and the contractual arrangements with Orchard and Shipman (OS).

3.20 As a result of the audit findings, we made two priority one recommendations relating to retention of documents and compliance with Contract Procedure Rules and Financial Regulations. In respect of retention of documents Internal Audit treated this as a general issue and considered it corporate action, launching a training awareness package 'Audit Controls', reporting contractual issues to the Contract Sub Committee and subsequently E& R PDS. A report on Contract Monitoring and Contract Management issued by the Director of Commissioning Services would suffice in promoting awareness at both officer and member level and therefore the recommendation was considered to be addressed.

3.21 In respect of the recommendation to comply with the requirements of the Contract Procedure Rules and Financial Regulations the same actions taken in the above paragraph also apply to this recommendation. However the audit of the final account for this work has now been concluded. The final outturn for the refurbishment work as reported to Care Services PDS in January 2017 was £815K which has been reviewed to Internal Audit's satisfaction. The final outturn of the project after including management fees for both OS and the building consultants MHA is £921K. There is therefore no further action to be taken and the recommendation is considered implemented.

3.22 Going forward, Internal Audit has allocated an amount of time in the 2017/18 audit plan to review and provide advice on a similar capital project planned for Banbury House, Chislehurst.

### **3.23 Document Storage & Retention**

3.24 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

3.25 Contract Monitoring & Invoice Checking- we had previously reported that there were no quarterly contract monitoring meetings or recorded minutes; the contents of the boxes were unclear as it was assumed these would be held by the departments; destruction dates were not shown on the boxes; no evidence of benchmarking; cursory checks of invoices; no back up information to the submitted invoices such as number of boxes held by each department.

3.26 The follow up of this recommendation has shown that back up documentation to support the invoices has still not been produced and minutes of the only quarterly monitoring meeting held since the audit has not been produced and therefore this recommendation has not been implemented.

- 3.27 The second recommendation related to cumulative expenditure and the requirement to undertake a comprehensive review of documents in storage. We had previously reported that the cumulative spend on storage costs from June 2011 to September 2016 had reached £202K; departments were not reviewing the records currently held by the Contractor which had VfM implications; a report to the Executive stressed the need to reduce files being stored as part of the accommodation move otherwise the upward trend of files stored would significantly increase; there were 11,753 boxes in storage at the time of the audit. This had now increased to 12,306 in February 2017.
- 3.28 Therefore the follow up of this recommendation has shown that this has not been implemented.
- 3.29 At the last meeting of this Committee Members wanted information relating to the number of boxes withdrawn in the past three years. The thinking behind this was that if boxes have not been requested in the past three years then presumably they are not being referred to and therefore should be destroyed subject to statutory requirements. Information from the contractor showed that there were 774 retrievals in 2015 and 2016. Management have stated that this is an archiving service and therefore it is not an indication that the records are no longer required.
- 3.30 Temporary Accommodation**
- 3.31 We had previously reported on the three priority one recommendations relating to the need for occupancy checks; time taken to make decisions on homeless applications; and level of rent arrears/delays by clients in completing benefit application forms/action on evictions. These three priority one recommendations will be followed up for the June 2017 meeting of this Committee.
- 3.32 NNDR**
- 3.33 An internal audit of this area was completed in September 2016. 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, although it had only converted to an Academy on the 1/04/14 thus resulting in an overpayment of £103,499. The Exchequer contractor has reimbursed Bromley this amount and is attempting to recover their overpayment from the School. The form for requesting mandatory relief has been amended to include asking when the account holder became a charity or an Academy. The additional checks brought in as a result of this overpayment have yet to be tested by Internal Audit.
- 3.34 New priority one recommendations-**
- 3.35 Waivers Audit**
- 3.36 This corporate audit was completed and resulted in a limited opinion being given as there were two priority one findings.
- 3.37 Whilst waivers are sometimes subject to scrutiny by the Director of Commissioning and Commissioning Board, not all waivers are subject to formal scrutiny by procurement professionals to confirm that they have been completed accurately, timely and with required information in line with Contract Procedure Rules (CPR). We acknowledge that there is no requirement in CPR for all completed waiver forms to be submitted to the Corporate Procurement Team before they are authorised. There is no single corporate register of completed waiver information and the forms are not uniquely referenced to enable them to be easily identified and to give assurance that all have been captured, processed and authorised. Information relating to waivers is kept in different locations and formats depending on the department. We were unable to identify any formal waiver monitoring arrangements in place for HR, Finance and IT Directorates. A corporate register of waiver information and an automated

electronic alert process for waivers which are nearing their expiry date would strengthen controls. This could be explored as part of the functionality of the new Contracts database.

3.38 Our examination of a sample of the waiver forms submitted found that, although instructions and guidance have been provided to officers by Procurement, both via CPR and on the waiver template, there were numerous instances where the waiver forms had not been completed correctly. The sample of waiver forms which we examined contained examples of incomplete and inaccurate information and a lack of timeliness and evidence of appropriate authorisation. We saw instances in our sample of waiver forms examined where they had not been signed and dated, not authorised by the Portfolio Holder and the 'Guidance' section had been removed. In one case a waiver to extend the existing contract had been requested approximately two weeks before the contract expiry date and insufficient time had been allowed to undertake the tendering process. In another case for Beckenham Town Centre improvements, the contract extension start date was January 2016 but the waiver was submitted in September 2016 due to a delay in awaiting funding from TfL to proceed with the scheme. The introduction of an electronic waiver form with on-line authorisation at each stage of the process would improve existing controls. It would enable a unique reference to be applied to the form and provide an audit trail of who has authorised the form and when. Any subsequent changes to information contained on the form or edits of the form by individuals could then be identified. This could also be explored as part of the functionality of the new Contracts database.

3.39 Both recommendations have been accepted by management for implementation.

#### 3.40 **Primary School**

3.41 We recently completed an audit of St Paul's Cray CE Primary School. There was one priority one finding in relation to cash income, specifically school dinner money. At our initial visit to the school in November 2016 we checked the total amount received for school dinner money during that term to the total amount banked. This was not successful because the reports produced from the system showing the dinner money paid did not contain sufficient detail to enable a reconciliation to be made. Weekly reports from the system were then provided enabling a reconciliation to be made. A further visit was made to confirm the school dinner money banked and review the school's arrangements for receiving and recording cash.

3.42 We noted from examination of the paying in book that there are occasions when the cash received is not banked intact and a cheque is written to cover part of the cash amount, which is retained for the petty cash imprest. This arrangement has been inherited from the previous Finance Officer but contravenes the Authority's School Financial Regulations.

3.43 Daily income sheets are used for recording cash received for school dinners and also clubs and activities. Cash is received each day by any one of four members of staff but it is not possible to identify who has received and recorded the cash. The entries on the sheet do not always show the full name of the pupil or member of staff who paid. Although the amounts recorded are then input to the pupil or staff record on the SIMS computer system, this does not always happen on the same day that the cash is received. There is no weekly or other periodic reconciliation carried out of the cash received and recorded on the daily income sheets to the income records on the SIMS computer system.

3.44 Due to the large volume of small cash amounts received each day, the risks associated with the receipt and recording of cash and the time consuming nature of the task, we have recommended that the school considers using a cashless on-line payment option for school dinner money, similar to that used by other schools. In the meantime we have discussed with the Finance Officer how the existing controls over cash income could be strengthened and she is keen to put these in place as soon as possible.

3.45 There were other priority two recommendations relating to declarations of interests, contract register, asset register, raising orders, governors' minutes, photocopier lease and lettings. All recommendations have been accepted for implementation.

3.46 We have given the audit a limited assurance opinion.

### 3.47 **Audit Activity**

3.48 Members of this Committee will be updated in April 2017 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 November 2016 to February 2017. There is some slippage in the 2016/17 internal audit plan due to staff sickness, investigations, 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 4.2 out of 5 on finalised audit reports which is good.

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

- Planned audit work with the focus on work on the 2016/17 plan, priority one findings, and investigations arising from planned audits.
- 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 e.g. waste contract controls.
- Monitoring role for the Greenwich Fraud partnership.
- Launching two e-learning training packages in respect of focus on fraud and risk management. A slide presentation on audit controls summarising our key findings with examples quoted.
- Liaison work with our external auditors where requested.
- Updating the risk register and servicing the Corporate Risk Management Group.
- Involvement in proactive exercises that are reported in Part 2.
- Committee work.
- Internal Liaison with Board; Corporate Leadership Team; Directorate Management Teams; Information Strategy, Commissioning and Governance Board 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.

### 3.50 **Waivers**

3.51 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 October 2016 to February 2017.

3.52 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 November 2016 and covered waivers sought up to October 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.

- 3.53 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.

- 3.54 Members should note the findings of the waiver audit report. The low number of waivers could indicate that officers are using the tendering process or that not all waivers had been captured as indicated in the findings of the audit report on waivers reported above.

### 3.55 Publication of Internal Audit Reports

- 3.56 At the last meeting of this Committee we reported our eighth batch of Internal Audit reports finalised since March 2014 and published on the web.

- 3.57 Since the last cycle of this Committee we have published a further 12 redacted final reports (listed below) making a total of 166 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. Four exemptions are being sought for this cycle that is explained in part 2 of this agenda.

|                                                            | <b>Audit Opinion</b> |
|------------------------------------------------------------|----------------------|
| • Follow up review of Libraries Audit 2016-17              | Not Applicable       |
| • Public Health Audit 2016-17 Substance Misuse             | Substantial          |
| • Bromley Road Primary School 2016-17                      | Substantial          |
| • Council Tax Audit 2016-17                                | Substantial          |
| • Follow up review Extra Care Housing Norton Court 2016-17 | Not Applicable       |
| • Follow up review Section 106 Agreements 2016-17          | Not Applicable       |
| • James Dixon Primary School 2016-17                       | Substantial          |
| • IT Services Contract                                     | Substantial          |
| • Review of Waivers                                        | Limited              |

|                                  |             |
|----------------------------------|-------------|
| •Glebe School                    | Substantial |
| •St Pauls Cray CE Primary School | Limited     |
| •Review of Housing Benefit       | Substantial |

3.58 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.

### 3.59 Housing Benefit- Update on Referrals to the DWP

3.60 At the last meeting of this Committee we reported that a total of 404 cases were referred to the Single Fraud Investigation Service (SFIS) team of the DWP since the transfer of housing benefit fraud on the 1<sup>st</sup> July 2015. Since April 2016 to February 2017 142 cases have been referred to SFIS. We have been advised that there have been no prosecutions on these referrals in 2016/17, however, 6 cases are awaiting decision by the Crown Prosecution Service (CPS). The DWP have advised that they have recommended 30 administrative penalties for authorisation by Bromley in 2016/17 based on our referrals. The DWP have stated that they completed 5 prosecutions in 2016/17 in respect of Bromley claimants that were not referred by us with a further 9 cases awaiting decision by the CPS not referred by Bromley.

3.61 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 we have had 4 successful prosecutions with others pending.

### 3.62 Appointment of External Auditors

3.63 We had previously reported the 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. This option was not considered on the grounds of cost and obtaining a competitive price.
- 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 is an operationally autonomous non-profit company, owned by the Local Government Association. PSAA have offered local authorities including LB Bromley to become an opted in authority which was taken up following full Council approval. It is believed that the majority of London Boroughs including Bromley have taken up this option. Nationally at the time of writing, it is believed that 282 out of 493 local authorities had already opted in, while another 128 bodies were making moves to do so.

PSAA will appoint an auditor to a local authority for five years, with flexibility to extend that for a further two years.

### **3.64 Head Of Audit**

At the last meeting of this Committee we had reported that there was an ongoing process to recruit for the Head of Audit post to replace the current Head who is retiring. There was a very good response and a decision was made to appoint Mr David Hogan who is currently Head of Assurance for One Source that covers the London Boroughs of Bexley, Havering and Newham. He will take up post on the 15<sup>th</sup> May 2017 and after a handover, the current post holder will leave in June 2017.

### **3.65 Objection to the Accounts**

3.66 At a previous meeting of this Committee 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 final total cost of £74,500. (We had previously reported an expected outturn of £60k). The work of the previous external auditors has been concluded and the objections are now closed. The previous auditors have issued Bromley with revised annual audit letters for each of the three years that make reference to the objections and proposed recommendations. There have been no objections to the 2015/16 accounts audited by KPMG, our current external auditors.

3.67 The auditors have given an overview of work undertaken below regarding the objections received:

- Considered the respective notices of objection and letters provided;
- Considered multiple emails and evidence provided by the objector's representative, Mr J;
- Considered the extent to which these matters fall within the external auditor's powers and duties as appointed auditors to the Authority;
- Considered the Authority's responses to the objections;
- Considered evidence provided by the Authority;
- Discussed with the objector's representative, Mr J, the work undertaken as well as his queries through several emails, telephone calls and emails;
- Consulted with the Audit Commission / PSAA on certain matters;

- Consulted with our technical team and risk management team;
- Consulted with internal Counsel;
- Obtained legal advice on certain matters from external Counsel;
- Drafted the witness statements for the civil parking enforcement contract;
- Documented the work in the audit files;
- Reconsidered subsequent events since the respective audit reports were originally signed;
- Agreed the wording for the updated certificates;
- Agreed with the PSAA the ability for the PWC Director to sign the 2012/13 and 2013/14 certificates (signing rights had already been obtained for 2014/15);
- Sought updated representations from the Authority; and
- Updated the annual audit letters for 2012/13 and 2013/14 (the 2014/15 annual audit letter had not been issued and as such did not need to be updated).

### **Fees breakdown**

| <b>Objection</b>                                                             | <b>Fees (excl. VAT)</b> |
|------------------------------------------------------------------------------|-------------------------|
| Civil parking enforcement contract (objection received on 20 September 2013) | £64,800                 |
| Bailiff fees (received on 27 October 2014)                                   | £ 6,500                 |
| London Councils (received on 27 October 2014)                                | £ 3,200                 |
|                                                                              | <b>£74,500</b>          |

### **3.68 HMRC Update**

3.69 At the last meeting of this Committee, Members had been informed that following an HMRC surcharge to Bromley of £343K for the use of consultants there would be an audit of this area, reviewing the new procedures introduced by HR. However, at a meeting with HR management to discuss the 2017/18 plan there was a request that Internal Audit consider carrying out this audit as a stand-alone review outside of the payroll audit. This audit will cover both the compliance with new procedures and the new HMRC requirements on IR35 that are due to be operational in April 2017 where public bodies will become liable for checking whether contractors are “genuine” limited companies or are using the status for tax avoidance. The HMRC specific audit will be reviewed in 2017/18.

### **3.70 Training**

3.71 We can confirm that the following training packages have been launched on One Bromley and are on the Learning Hub following a presentation at a managers briefing.

- **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.
- **Focus on Fraud** - 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 following discussions with managers and Members of this Committee.

- 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. It is available to all staff but in particular to managers.

### **3.72 Risk Management Update**

- 3.73 At the last cycle of this Committee we had reported in detail on both the revised corporate risks and the departmental high and significant net risks.
- 3.74 The key audit findings i.e. priority one issues that are reported to this Committee are linked into the risk register.
- 3.75 All the key internal controls held by Internal Audit used as a basis for our audit coverage in each auditable area, are in the process of being loaded on the intranet, available for management to assess in terms of covering all potential risks. There has been a delay as we have been upgrading Galileo, our audit recording system. This will go live in April 2017 and the upload of key controls will be done shortly after.
- 3.76 As stated above in paragraph 3.71 under training, our Risk Management training for staff, in particular managers, has been launched.
- 3.77 Full details of all the current high and significant net risks, including controls, actions and financial implications are attached as Appendix C. We also attach a copy of the risk management guidelines as Appendix D.
- 3.78 Corporate Risk Register – Following agreement by this Committee, the corporate risks have been published on the web. See Appendix E.
- 3.79 Going forward it is proposed that this Committee should also have sight of the high and significant risks in respect of the contracts register. This would give this Committee an insight in to both the departmental and contract risks which are interlinked in respect of provision of services. Members will note that many of our significant findings including what is on this agenda relate to contracts and therefore it would make sense to have sight of the high and significant contract risks. With the introduction of the Contracts Database (CDB), an automated system that records details of each contract, together with a risk analysis, reporting and information flow will be much easier for management.
- 3.80 We have commissioned Zurich our insurers to carry out a check and challenge process on the risk registers to be undertaken for each of the three directorates. (Education, Care & Health Services (ECHS) and Environment & Community Services (ECS) and Chief Executive Directorates). The aim of this process is to provide the directorate management teams (DMTs) with an independent discussion on risk and one that challenges, refreshes and validates the current risk register content. The output from the exercise will be an updated risk register that will be taken forward by the DMTs. Zurich will seek to refresh the risk descriptions, scores, mitigations and actions.

**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.

**5. POLICY IMPLICATIONS**

None

**6. FINANCIAL IMPLICATIONS**

A number 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.

|                                                       |        |
|-------------------------------------------------------|--------|
| <b>Non-Applicable Sections:</b>                       | Policy |
| Background Documents:<br>(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 |
|---------------------|-----------------------------------------------|---------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| ENV/003/01/2015/201 | Waste Services Audit                          | limited | 1os + 15 new ones     | Part 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | In progress | Director of Environment Services       | Part 2                                                                                                                                                                                                     | High                  |
| CX/063/01/2016      | NNDR                                          | 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          | Liberata have refunded Bromley the the whole overpayment sum, ensuring no loss incurred as a result of any failure to recover the full amount. The new procedure will be tested and reported in June 2017. | High                  |
| 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 core 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. Referred to Care Services PDS. Extract of mangement update the PDS is included in the Progress Report. 3 Priority ones to be followed up in Quarter 1.                                | 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 | Chief Planner                          | 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- although there has been work to progress implementation the two priority one recommendations are outstanding.                                                                         | 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                     | Need for occupancy checks; timely decisions on homeless applications; & rent arrears/delas by clients in submitting benefit application forms/action on evictions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | In progress | Assistant Director, Housing            | Follow up of the 3 priority one recommendations will be reported in June 2017.                                                                                                                             |                       |

| Report Number/Date                                                                               | Title                            | Opinion | No. of Priority One's | Details of original Recommendation                                                                                                                            | Implemented | Responsible Officer                             | Comments                                                     | Risk of fraud or loss |
|--------------------------------------------------------------------------------------------------|----------------------------------|---------|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------------------------------------|--------------------------------------------------------------|-----------------------|
| CX/089/16/2016                                                                                   | Review of Waivers                | Limited | 2                     | Need for central register of waivers for accountability purposes. Need for a standard template that cannot be altered, can be tracked to promote consistency. | In progress | Director of Commisioning and all Chief Officers | See Progress Report                                          |                       |
| ECH/P64/01/2016                                                                                  | St Paul's Cray CE Primary School | Limited | 1                     | Control weaknesses over cash collected and accountability.                                                                                                    | In Progress | Head Teacher                                    | See Progress Report                                          |                       |
| ECH/036/01/2016                                                                                  | Review of Reablement Team        | Limited | 2                     | Part 2                                                                                                                                                        | In progress | Director of Adult Social Care                   | To be followed up for June 2017 Audit Sub Committee meeting. | High                  |
| ECH/034/01/2016                                                                                  | Leaving Care Investigation       | N/A     | 1                     | Part 2                                                                                                                                                        | In Progress | Director of Childrens Services                  | Part 2                                                       |                       |
| The following priority one recommendations have been implemented: None see comments column above |                                  |         |                       |                                                                                                                                                               |             |                                                 |                                                              |                       |
| Extra Care Housing- recommendation implemented - see progress report                             |                                  |         |                       |                                                                                                                                                               |             |                                                 |                                                              |                       |
| Manorfields - 2 priority one recommendations both implemented- see progress report               |                                  |         |                       |                                                                                                                                                               |             |                                                 |                                                              |                       |
| Transition Team - 1 priority one recommendation implemented- see progress report                 |                                  |         |                       |                                                                                                                                                               |             |                                                 |                                                              |                       |
|                                                                                                  |                                  |         |                       |                                                                                                                                                               |             |                                                 |                                                              |                       |
|                                                                                                  |                                  |         |                       |                                                                                                                                                               |             |                                                 |                                                              |                       |
|                                                                                                  |                                  |         |                       |                                                                                                                                                               |             |                                                 |                                                              |                       |
|                                                                                                  |                                  |         |                       |                                                                                                                                                               |             |                                                 |                                                              |                       |
|                                                                                                  |                                  |         |                       |                                                                                                                                                               |             |                                                 |                                                              |                       |
|                                                                                                  |                                  |         |                       |                                                                                                                                                               |             |                                                 |                                                              |                       |



**Waivers - From October 2016 to February 2017**  
**Waivers > £50,000**

APPENDIX B

| 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                                                                                                                             |
|-------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------------------|----------------------------------------------------|------------------------|---------------------------|----------------------------------------------------------------------------|-------------|-----------|--------------------------------------------------------------------------------------------------------------------------------------|
| Chief Executives                    | Financial Services                                    | £170,000                                                                                        | £35,000                                            |                        |                           | Contract funerals                                                          | 01/07/17    | 30/06/19  | Head of Exchequer, Director of Corporate Services, Director of                                                                       |
| Education, Care and Health Services | Commissioning                                         | £184,340                                                                                        | £92,170                                            |                        |                           | Nursing care beds                                                          | 01/01/17    | 01/07/17  | Director of Adult Social Care, Executive Director of ECHS and Director of Corporate Services                                         |
| Education, Care and Health Services | Workforce Development                                 | £638,417 if 30 students to a maximum of £696,752 for 35 students                                | £288,407 for the 2 academic years ending July 2017 |                        |                           | Step Up to social work post graduate diploma (cohort 5)                    | 19/06/17    | 19/04/20  | Director of Children's Social Care, Director of Finance, Director of Corporate Services and Portfolio Holder                         |
| Education, Care and Health Services | Pre-school specialist support and disability services | These awards are not cumulative as they reflect multiple individual awards to multiple settings | £225,700                                           |                        |                           | Inclusion in pre-school (SIPS) to multiple pre school and nursery settings | 01/04/17    | 31/03/18  | Head of Service, Strategic Commissioning Manager, Director of Education,                                                             |
| Environment and Community Services  | Renewal Team                                          | £260,000                                                                                        | £50,000                                            |                        |                           | Provision of development consultancy advice                                | 21/11/16    | 30/06/17  | AD Planning Department, Executive Director of ECS, Director of Corporate Services, Director of Finance and Director of Commissioning |
| Education, Care and Health Services | Education Services                                    | £627,235                                                                                        | £123,202                                           |                        |                           | Annual support and maintenance of Capita One MIS system to Capita          | 01/04/17    | 31/03/18  | Director of Education, Director of Corporate Services and Director of Finance                                                        |

It should be noted that ECHS have referred the following waivers to Care Services Portfolio Holder for approval:-  
 Renewal of housing association and private sector leasing schemes  
 Respite services for carers  
 Executive approved the following 4 contracts to be extended to April 2017 at the meeting in June 2016:-  
 Parking, Parking ICT, Parking baliff services and Parking mobile phone booking

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| <b>Risk Ref:</b>                             | <b>Department</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>Division</b>          | <b>Section</b>          |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| CEX/ICT.0014                                 | Chief Executive's                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Corporate Services       | All ICT Sections        |
| <b>Risk / Consequences and Risk Category</b> | <b>Disaster Recovery</b><br><br>Inadequate disaster recovery arrangements leading to dislocation of Council services<br><br>Data and Information - Operational                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                          |                         |
| <b>Risk Owner</b>                            | Stuart Elsey                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                          |                         |
| <b>Gross Impact</b>                          | <b>Gross Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Gross Risk Rating</b> | <b>Gross Risk Score</b> |
| 5                                            | 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Significant              | 10                      |
| <b>Existing Controls</b>                     | 1. Stand-by arrangements available so that in the event of failure highest priority services can be recovered                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                          |                         |
| <b>Net Impact</b>                            | <b>Net Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Net Risk Rating</b>   | <b>Net Risk Score</b>   |
| 5                                            | 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Significant              | 10                      |
| <b>Proposed Actions</b>                      | - Working with BT to review and implement disaster recovery arrangements as part of new IT contract.<br>- Effective application of malware protection and security measures through the Facilities Management (FM) contract with BT<br>- Technical design takes into account the criticality of systems and ensures, where justified, that additional resilience is built in<br>- Virtualisation project will help facilitate disaster recovery provision with the option of using the cloud to provide quick capacity<br>- New Storage Area Network (SAN) gives additional replication facilities to work with suitable partners reducing the time to switch over to a DR site |                          |                         |
| <b>Financial Implications</b>                | The net risk remains the same as the gross risk pending the outcome of the review with BT.<br><br>Financial implications depend on outage duration and Business Continuity plans.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                          |                         |

| <b>Risk Ref:</b>                             | <b>Department</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Division</b>          | <b>Section</b>          |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| CEXICT.0418                                  | Chief Executive's                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Corporate Services       | All ICT Sections        |
| <b>Risk / Consequences and Risk Category</b> | <b>IT System Failure (total loss)</b><br><br>Complete failure of IT systems resulting in widespread disruption across the Council<br><br>Data and Information – Operational                                                                                                                                                                                                                                                                                                                               |                          |                         |
| <b>Risk Owner</b>                            | Stuart Elsey                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                          |                         |
| <b>Gross Impact</b>                          | <b>Gross Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Gross Risk Rating</b> | <b>Gross Risk Score</b> |
| 5                                            | 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | High                     | 15                      |
| <b>Existing Controls</b>                     | 1. Effective incident management / support and resilient systems in use so that single points of failure are minimised<br>2. Technical design that takes into account the criticality of systems and ensures, where justified, that additional resilience is built in<br>3. Ensure proactive monitoring tools are in place to highlight potential issues before there is a major incident<br>4. Backup power arrangements in the event of power issues (most likely)                                      |                          |                         |
| <b>Net Impact</b>                            | <b>Net Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Net Risk Rating</b>   | <b>Net Risk Score</b>   |
| 4                                            | 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Significant              | 12                      |
| <b>Proposed Actions</b>                      | - Ongoing monitoring                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                         |
| <b>Financial Implications</b>                | 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.<br><br>Financial implications depend on outage duration and Business Continuity plans (estimate £100 to £200 per day per staff member affected).<br><br>- 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. |                          |                         |

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

| <b>Risk Ref:</b>                                     | <b>Department</b>                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Division</b>          | <b>Section</b>          |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| CEX./ACT.0305                                        | Chief Executive's                                                                                                                                                                                                                                                                                                                                                                                                     | Finance                  | Accountants             |
| <b>Risk /<br/>Consequences and<br/>Risk Category</b> | <b>Capital Income</b><br><br>Capital income shortfall due to a reduction in capital receipts and delays in disposals as a result of the economic environment<br><br>Economic – Strategic                                                                                                                                                                                                                              |                          |                         |
| <b>Risk Owner</b>                                    | James Mullender                                                                                                                                                                                                                                                                                                                                                                                                       |                          |                         |
| <b>Gross Impact</b>                                  | <b>Gross Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                               | <b>Gross Risk Rating</b> | <b>Gross Risk Score</b> |
| 5                                                    | 3                                                                                                                                                                                                                                                                                                                                                                                                                     | High                     | 15                      |
| <b>Existing Controls</b>                             | 1. Close monitoring of spend and income<br>2. Reporting to Members<br>3. Tight control of spending commitments                                                                                                                                                                                                                                                                                                        |                          |                         |
| <b>Net Impact</b>                                    | <b>Net Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                 | <b>Net Risk Rating</b>   | <b>Net Risk Score</b>   |
| 4                                                    | 3                                                                                                                                                                                                                                                                                                                                                                                                                     | Significant              | 12                      |
| <b>Proposed Actions</b>                              | - Quarterly reports on capital receipts (actual and forecast) to Executive                                                                                                                                                                                                                                                                                                                                            |                          |                         |
| <b>Financial Implications</b>                        | 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.<br><br>Actual receipts from asset disposals totalled £3.9m in 2015/16, matching the 3rd quarter projection. |                          |                         |

| <b>Risk Ref:</b>                             | <b>Department</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Division</b>          | <b>Section</b>          |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| CEX/FIN.0282                                 | Chief Executive's                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Finance                  | All Finance Sections    |
| <b>Risk / Consequences and Risk Category</b> | <b>Budget</b><br><br>Failure to produce and deliver a balanced budget which meets priorities.<br><br>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.<br><br>Economic – Strategic                                                                                                                                                                                                                                                                                     |                          |                         |
| <b>Risk Owner</b>                            | Director of Finance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                          |                         |
| <b>Gross Impact</b>                          | <b>Gross Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Gross Risk Rating</b> | <b>Gross Risk Score</b> |
| 4                                            | 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Significant              | 12                      |
| <b>Existing Controls</b>                     | 1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports<br>2. Departmental risk analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                          |                         |
| <b>Net Impact</b>                            | <b>Net Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Net Risk Rating</b>   | <b>Net Risk Score</b>   |
| 4                                            | 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Significant              | 12                      |
| <b>Proposed Actions</b>                      | - Reporting of financial forecast updates in year to provide an update of financial impact and action required<br>- Obtain monthly trend / current data to assist in any early action required<br>- Obtain regular updates / market intelligence                                                                                                                                                                                                                                                                                                                                                          |                          |                         |
| <b>Financial Implications</b>                | 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.<br><br>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. |                          |                         |

| <b>Risk Ref:</b>                             | <b>Department</b>                                                                                                                                                                                                                                                             | <b>Division</b>          | <b>Section</b>          |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| CEX/FIN.0095                                 | Chief Executive's                                                                                                                                                                                                                                                             | Finance                  | All Finance Sections    |
| <b>Risk / Consequences and Risk Category</b> | <b>Government Funding</b><br><br>Government funding shortfall which would have to be made up by budget cuts<br><br>Economic – Strategic                                                                                                                                       |                          |                         |
| <b>Risk Owner</b>                            | Director of Finance                                                                                                                                                                                                                                                           |                          |                         |
| <b>Gross Impact</b>                          | <b>Gross Likelihood</b>                                                                                                                                                                                                                                                       | <b>Gross Risk Rating</b> | <b>Gross Risk Score</b> |
| 5                                            | 4                                                                                                                                                                                                                                                                             | High                     | 20                      |
| <b>Existing Controls</b>                     | 1. Modelling of proposals from the various Government departments<br>2. Lobbying on proposals and Society of London Treasurers (SLT)<br>3. Working with London Councils on lobbying<br>4. Working with outer London boroughs on lobbying and opportunities from joint working |                          |                         |
| <b>Net Impact</b>                            | <b>Net Likelihood</b>                                                                                                                                                                                                                                                         | <b>Net Risk Rating</b>   | <b>Net Risk Score</b>   |
| 3                                            | 4                                                                                                                                                                                                                                                                             | Significant              | 12                      |
| <b>Proposed Actions</b>                      | - Model implications of various changes and adapt financial strategy to address implications                                                                                                                                                                                  |                          |                         |
| <b>Financial Implications</b>                | 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.          |                          |                         |



| <b>Risk Ref:</b>                             | <b>Department</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>Division</b>          | <b>Section</b>          |
|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| ECHS/1                                       | Education, Care and Health Services                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | All ECHS Divisions       | All ECHS Sections       |
| <b>Risk / Consequences and Risk Category</b> | <b>ECHS Financial Strategy</b><br>- Failure to deliver the ECHS Financial Strategy<br>- Continual reduction in Central Government funding<br>- Demographic changes<br>- Increased demand for services<br>- Failure to secure economy, efficiency, and effectiveness of use of resources leading to a Qualified Independent Auditors' Report                                                                                                                                                                                                                                                                                                                                    |                          |                         |
| <b>Risk Owner</b>                            | ECHS DMT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                          |                         |
| <b>Gross Impact</b>                          | <b>Gross Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Gross Risk Rating</b> | <b>Gross Risk Score</b> |
| 5                                            | 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | High                     | 25                      |
| <b>Existing Controls</b>                     | Controls<br>- Budget monitoring and forecasting<br>- Regular review of medium term strategy<br>- Regular reporting to DMT, Care Services PDS and Education Budget Sub Committee<br>- Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money<br>- Monitor demographics, economic indicators and develop insight into future demand<br>- Match financial planning to Council priorities<br>- Internal audit framework                                                                                                                                                                                                  |                          |                         |
| <b>Net Impact</b>                            | <b>Net Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>Net Risk Rating</b>   | <b>Net Risk Score</b>   |
| 5                                            | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | High                     | 20                      |
| <b>Proposed Actions</b>                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                          |                         |
| <b>Financial Implications</b>                | As at the end of December 2016 the Care Services Portfolio is projected to overspend by £4,657k in 2016/17 with a full year effect of £4,555k. The Education Portfolio Schools' budget is predicted to underspend by £101k during 2016/17 with the Non Schools budget predicted to overspend by £75k<br>-----<br>Adult Social Care - £1,232k overspend with the main areas being:-<br>Assessment and Care Management - £1,178k<br>This is in the main due to Placements/Domiciliary Care/Direct Payments for 65+ where client numbers are currently above the budgeted figure.<br>Learning Disabilities - £549k<br>There continues to be additional cost pressures relating to |                          |                         |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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|  | <p>transition clients, ordinary residence and increased care packages.</p> <p>Increased costs are being experienced due to the National Living Wage (NLW) on some care contracts with an estimated pressure of £686k.</p> <p>The overspend in this area has been partially offset by the use of Better Care Funding for the protection of social care. Management action is addressing savings targets although these continue to be a challenge in some areas where demand for services is increasing.</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>Children's Social Care - £3,519k overspend with the main areas being<br/> Placements - £1,092k<br/> The impact of the fostering allowance changes have taken place and this is reflected in the figure.<br/> Leaving Care - £824k<br/> Costs in relation to clients leaving care continue to rise for both the 16-17 and 18+ age group.<br/> Those aged 16-17 are having to be placed in accommodation with higher levels of support than previously and for those aged 18+ there continues to be differences between the amount being paid in rent and the amount reclaimable as housing benefit. In addition, we have seen an increase in older Looked After Children who entered the care system as older teenagers.<br/> Public Law Outline - £920k<br/> This is in the main due to community and residential based parenting assessments, some of which are Court ordered.<br/> Staffing - £1,174k<br/> Staffing overspends are apparent across the whole of Children's Social Care. The majority of the overspend is due to the use of locum staff where permanent recruitment has not been possible. The department in conjunction with HR have a recruitment and retention strategy in place to address this and so moving forward the impact of locum staff will be minimised.</p> <p>Education<br/> The Non Schools' budget is projected to overspend by £75k<br/> SEN Transport - £656k<br/> A significant part of this relates to the cost of contracts which commenced on 01/09/2015 with a revised pricing framework which, with no provision for inflation over the life of the contracts, are assumed to have front loaded inflationary increases. The remainder of the overspend is due to the</p> |
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|  | <p>increased number of routes required during the year and the complexity of clients using them (i.e. the need to have assistants on the transport due to the young age of the client).<br/>Adult Education Centres - £83k<br/>The pressure is caused by a reduction in income (mainly from the Skills Funding Agency grant) and unexpected payments to staff in Lieu of notice. A premises vacated as part of the restructure is currently vacant with Business Rates now due following expiry of the exemption period.</p> <p>Housing<br/>Temporary Accommodation (TA) (Bed and Breakfast) in 2016/17 is forecast to be £276k 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.<br/>Expected increases in numbers did not materialise in November and December although Homelessness client numbers are picking up again and are expected to rise to an additional 15 to 17 per month for the remainder of the financial year. It is hoped that the temporary accommodation initiative with Mears will assist in limiting future growth.</p> <p>There are other pressures emerging in Housing including £125k in relation to the costs of storage of furniture for clients going into temporary accommodation and £75k relating to the high cost of utilities at one of the travellers sites.</p> <p>Public Health<br/>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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| <b>Risk Ref:</b>                             | <b>Department</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Division</b>          | <b>Section</b>                 |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------------|
| ECHS/2                                       | Education, Care and Health Services                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Adult Social care        | All Adult Social Care sections |
| <b>Risk / Consequences and Risk Category</b> | <b>Inability to deliver effective Adult Social Care services</b><br>The Council is unable to deliver an effective adult social care service to fulfil its statutory obligations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                          |                                |
| <b>Risk Owner</b>                            | Director, Adult Social Care                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                          |                                |
| <b>Gross Impact</b>                          | <b>Gross Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Gross Risk Rating</b> | <b>Gross Risk Score</b>        |
| 4                                            | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | High                     | 16                             |
| <b>Existing Controls</b>                     | <b>Care Act</b><br>Redesigned processes, including amending forms, and operational procedures in place.<br>Care Act compliance training<br><b>Better Care Fund</b><br>Programme overseen by the Director of Health Integration and the CCG<br><b>Safeguarding</b><br>- Multi Agency Bromley Adult Safeguarding Board (BSAB) in place<br>- BSAB Training programme (E Learning and Face to Face)<br>- Awareness training for vulnerable groups<br><b>Recruitment</b><br>- Dedicated HR programme of support in place to recruit social workers to front line posts<br><b>Performance Monitoring Framework</b><br>Review of Performance Management Indicators<br><b>Procurement and Contract Monitoring</b><br>- Effective procurement framework and contract monitoring arrangements to ensure acceptable quality of service provision and value for money |                          |                                |
| <b>Net Impact</b>                            | <b>Net Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Net Risk Rating</b>   | <b>Net Risk Score</b>          |
| 4                                            | 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Significant              | 12                             |
| <b>Proposed Actions</b>                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                          |                                |
| <b>Financial Implications</b>                | Adult Social Care - £1,232k overspend with the main areas being:-<br>Assessment and Care Management - £1,178k<br>This is in the main due to Placements/Domiciliary Care/Direct Payments for 65+ where client numbers are currently above the budgeted figure.<br>Learning Disabilities - £549k<br>There continues to be additional cost pressures relating to transition clients, ordinary residence and increased care packages.                                                                                                                                                                                                                                                                                                                                                                                                                         |                          |                                |

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|  | <p>Increased costs are being experienced due to the National Living Wage (NLW) on some care contracts with an estimated pressure of £686k.</p> <p>The overspend in this area has been partially offset by the use of Better Care Funding for the protection of social care. Management action is addressing savings targets and although these continue to be a challenge in some areas where demand for services is increasing.</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> |
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| <b>Risk Ref:</b>                             | <b>Department</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Division</b>          | <b>Section</b>              |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------|
| ECHS/2a                                      | Education, Care and Health Services                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Adult Social care        | Learning Disability Service |
| <b>Risk / Consequences and Risk Category</b> | <b>Learning Disability Service</b> <ul style="list-style-type: none"> <li>- Failure to assess service users, establish eligibility criteria and carry out the review process leading to:-</li> <li>- Failure to identify and meet service user needs</li> <li>- Provision of service to ineligible clients</li> <li>- Provision of service prior to/without appropriate authorisation</li> <li>- Failure to manage the transition process of service users from Children's Services to Adult Services leading to increased risk of Judicial Review</li> <li>- Costs associated with Legal process</li> <li>- Ongoing care package costs as a result of Legal process outcome</li> <li>- Placement predictions leading to financial pressures (cross refer ECHS Budget risk)</li> </ul> |                          |                             |
| <b>Risk Owner</b>                            | Director, Adult Social Care                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          |                             |
| <b>Gross Impact</b>                          | <b>Gross Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>Gross Risk Rating</b> | <b>Gross Risk Score</b>     |
| 4                                            | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | High                     | 16                          |
| <b>Existing Controls</b>                     | <ul style="list-style-type: none"> <li>- Close monitoring of placements and eligibility criteria</li> <li>- Budget monitoring and forecasting</li> <li>- Regular review of medium term strategy</li> <li>- Regular reporting to DMT and Care Services PDS</li> <li>- Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money</li> <li>- Hold provider to account for poor performance</li> <li>- Monitor demographics, economic indicators and develop insight into future demand</li> </ul>                                                                                                                                                                                                                                  |                          |                             |
| <b>Net Impact</b>                            | <b>Net Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>Net Risk Rating</b>   | <b>Net Risk Score</b>       |
| 4                                            | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | High                     | 16                          |
| <b>Proposed Actions</b>                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |                             |
| <b>Financial Implications</b>                | <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 continues to be closely monitored and the projections take into account both savings achieved to date and planned savings for the remainder of the year. If action to make the planned savings does not materialise, or is</p>                                                                                                                                                      |                          |                             |

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|  | <p>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.</p> <p>There continues to be a level of assumption relating to uncertainties included in the projections eg increased care needs, carer breakdowns, attrition, health funding, start dates for new packages etc.</p> |
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| <b>Risk Ref:</b>                             | <b>Department</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>Division</b>          | <b>Section</b>                                       |
|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------------------------------|
| ECHS/3a                                      | Education, Care and Health Services                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Children's Social Care   | All Children's Social Care and Safeguarding Sections |
| <b>Risk / Consequences and Risk Category</b> | <b>Children's Social Care</b><br>- Failure to deliver effective children's services to fulfil statutory safeguarding obligations and protect those at risk of sexual exploitation or missing from care<br><br>- Impact on life chances and outcomes for children<br>- Impact of unsatisfactory inspection outcome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                          |                                                      |
| <b>Risk Owner</b>                            | Interim Director, Children's Social Care and Safeguarding                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                          |                                                      |
| <b>Gross Impact</b>                          | <b>Gross Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>Gross Risk Rating</b> | <b>Gross Risk Score</b>                              |
| 4                                            | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | High                     | 16                                                   |
| <b>Existing Controls</b>                     | - Performance Framework<br>- Quality Assurance Audit Programme<br>- Children's Service Improvement Action Plan<br>- Recruitment and Retention scheme                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                          |                                                      |
| <b>Net Impact</b>                            | <b>Net Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Net Risk Rating</b>   | <b>Net Risk Score</b>                                |
| 4                                            | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | High                     | 16                                                   |
| <b>Proposed Actions</b>                      | - Appointment of Deputy Chief Executive with Director of Children's Services responsibility (in post December 2016)<br>- Appointment of Interim Director of Children's Social Care (in post December 2016)<br>- 14 new social workers in the process of being recruited<br>- £950k available for immediate use to build capacity<br>- £2.3m available on a recurring basis for Children's services (cross refer Financial Impact column - TBC Pete Turner)<br>- Key events and supporting material developed to ensure improving practice is at the heart of the organisation<br>- Review of team structures<br>- New process for authorising placements developed<br>- Continued reduction of caseloads<br>- Development of CSE and missing unit<br>- Training plan for qualified social workers and other professionals (Jan - Mar 2017) |                          |                                                      |
| <b>Financial Implications</b>                | £950k funding approved 2016/17<br><br>£2.3m funding approved 2017/18<br><br>Children's Social Care - £3,519k overspend<br>The impact of the changes in the fostering allowance and assumptions around future placements for the final three                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                          |                                                      |



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|  | <p>months of the financial year have now been reflected in the placement projections although the level of volatility around the placements budget makes predictions difficult.</p> <p>The costs in relation to clients leaving care continue to rise for both the 16-17 age group and the 18+ age group for whom housing benefit contributes towards the costs. Costs have increased as children are having to be placed in accommodation with higher levels of support than previously. For the 18+ client group there continues to be differences between the amount being paid in rent and the amount reclaimable as housing benefit, mainly due to lack of supply of suitable accommodation and the rental price. In addition, there has been an increase in older Looked After Children who entered the system as older teenagers.</p> <p>Currently there are 39 children with families receiving No Recourse to Public Funds support. This budget remains volatile with 48 receiving funding at the end of 2015/16 and 28 in August 2016.</p> <p>Public Law Outline (Court Ordered Care Proceedings) main area of overspend is in community based and residential based parenting assessments which are largely outside of the control of the Council.</p> <p>Analysis of the staffing budgets across the whole of Children's Social Care has identified overspends across most of the teams. The majority of the overspend relates to the use of costly locum staff, where it has not been possible to recruit permanently to posts. An HR recruitment and retention strategy is in place to address this.</p> |
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| <b>Risk Ref:</b>                             | <b>Department</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Division</b>                             | <b>Section</b>                                                        |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------------|
| ECHS/4                                       | Education, Care and Health Services                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Adult Social Care<br>Children's Social Care | All Adult Social Care Sections<br>All Children's Social Care Sections |
| <b>Risk / Consequences and Risk Category</b> | <b>Recruitment and Retention</b><br><br>- Failure to recruit and retain key skilled staff with suitable experience/qualifications<br><br>cri- Failure to recruit to specific job roles leading to a negative impact on service delivery<br><br>- Failure to compete with other organisations to recruit the highest quality candidates to build an agile workforce<br><br>- Inability to deliver effective adults, children's and public health services to fulfil statutory safeguarding obligations, impacting on life chances and outcomes                                                                                                                                                                                                                                                                                                                                                                               |                                             |                                                                       |
| <b>Risk Owner</b>                            | Director, Adult Social Care<br><br>Interim Director, Children's Social Care and Safeguarding                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                             |                                                                       |
| <b>Gross Impact</b>                          | <b>Gross Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Gross Risk Rating</b>                    | <b>Gross Risk Score</b>                                               |
| 4                                            | 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | High                                        | 20                                                                    |
| <b>Existing Controls</b>                     | - Dedicated HR role to support managers in recruiting social workers to front line posts<br>- Joint meetings held between HR and employment agencies to improve the quality and speed of locum assignments<br>- Repromotion and review of the current Recruitment and Retention package<br>- Repromotion of the 'no quit' policy<br>- Recruitment drive to convert locums to permanent staff<br>- Commissioning of improvements to the Council's recruitment web site to include a video virtual tour of the Council<br>- Support in effectively managing staff performance<br>- Provision of training measures to include targeted leadership and management training programmes including partners and other stakeholders<br>- Tailored individual career plan for staff<br>- Training and quality assurance of practice<br>- Provision of regular monitoring information to feed into the corporate governance dashboard |                                             |                                                                       |
| <b>Net Impact</b>                            | <b>Net Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>Net Risk Rating</b>                      | <b>Net Risk Score</b>                                                 |
| 4                                            | 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Significant                                 | 12                                                                    |
| <b>Proposed Actions</b>                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                             |                                                                       |

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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| <b>Financial Implications</b> | <p>£950k funding approved 2016/17</p> <p>£2.3m funding approved 2017/18</p> <p>Staffing overspends are apparent across the whole of Children's Social Care. The majority of the overspend is due to the use of locum staff where permanent recruitment has not been possible. The department in conjunction with HR have a recruitment and retention strategy in place to address this and so moving forward the impact of locum staff will be minimised.</p> <p>Additional posts are being recruited to in the Reablement Service (Adult Social Care) where staff resignations over the past year and the difficulty in recruiting to the subsequent vacant posts is having an impact on the level of savings that can be achieved.</p> |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| <b>Risk Ref:</b>                             | <b>Department</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Division</b>          | <b>Section</b>          |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| ECHS/5a                                      | Education, Care and Health Services                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Housing Needs            | Housing Needs           |
| <b>Risk / Consequences and Risk Category</b> | <b>Temporary Accommodation</b><br>- Inability to effectively manage the volume of people presenting themselves as homeless and the additional pressures placed on the homelessness budgets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                          |                         |
| <b>Risk Owner</b>                            | Sara Bowrey                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                          |                         |
| <b>Gross Impact</b>                          | <b>Gross Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Gross Risk Rating</b> | <b>Gross Risk Score</b> |
| 4                                            | 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | High                     | 20                      |
| <b>Existing Controls</b>                     | - Focus on preventing homelessness and diversion to alternative housing options through:-<br>- Landlord and Tenancy advice, support and sustainment<br>- Assistance (including financial aid) to access the private rented sector<br>- Access to employment and training<br>- Debt, money, budgeting and welfare benefits advice, including assistance to resolve rent and mortgage arrears<br>- Sanctuary scheme for the protection of victims of domestic violence<br>- Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money<br><br>Contract Monitoring<br>- Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money |                          |                         |
| <b>Net Impact</b>                            | <b>Net Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>Net Risk Rating</b>   | <b>Net Risk Score</b>   |
| 4                                            | 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | High                     | 20                      |
| <b>Proposed Actions</b>                      | - Seek new and alternative forms/supply of temporary accommodation<br>- Ensure the successful implementation of the More Homes Bromley initiative to ensure the supply reduces the reliance on nightly paid accommodation<br>- Continue to develop partnership working with private sector landlords to assist households to remain in private sector accommodation<br>- Work innovatively with a range of providers to increase access to a supply of affordable accommodation<br>- Produce and maintain the new London Borough of Bromley Homelessness strategy ensuring that the strategy promotes partnership working to reduce and prevent homelessness                                                                                |                          |                         |

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Financial Implications</b> | <p>Housing</p> <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> |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| <b>Risk Ref:</b>                             | <b>Department</b>                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>Division</b>                  | <b>Section</b>          |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------------|
| ECHS/5b                                      | Education, Care and Health Services                                                                                                                                                                                                                                                                                                                                                                                                                             | Housing Needs (Housing Strategy) | Housing Needs           |
| <b>Risk / Consequences and Risk Category</b> | <b>Capital Grant</b><br><br>- 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<br><br>- Lack of availability of external capital grant to deliver key housing schemes<br>Lack of available suitable sites within the borough o which to develop new affordable housing schemes over the short to medium term |                                  |                         |
| <b>Risk Owner</b>                            | Sara Bowrey                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                  |                         |
| <b>Gross Impact</b>                          | <b>Gross Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Gross Risk Rating</b>         | <b>Gross Risk Score</b> |
| 4                                            | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                               | High                             | 16                      |
| <b>Existing Controls</b>                     | 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<br>- Determination at planning stage to ensure collection of obligations due<br>- Conditions attached to funding received to ensure it is spent on preventing homelessness                                                    |                                  |                         |
| <b>Net Impact</b>                            | <b>Net Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Net Risk Rating</b>           | <b>Net Risk Score</b>   |
| 4                                            | 3                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Significant                      | 12                      |
| <b>Proposed Actions</b>                      | - Planning to address impact                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                  |                         |
| <b>Financial Implications</b>                | A failure to develop affordable housing schemes may lead to an increase in homelessness and increase demand for bed and breakfast accommodation.<br><br>Balance of Section 106 capital housing funds as at 31st December 2016 - £4,778k.                                                                                                                                                                                                                        |                                  |                         |

| <b>Risk Ref:</b>                             | <b>Department</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Division</b>          | <b>Section</b>             |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------|
| ECHS/6                                       | Education, Care and Health Services                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Public Health            | All Public Health Sections |
| <b>Risk / Consequences and Risk Category</b> | <b>Inability to deliver an effective Public Health service</b><br><br>The Council is unable to deliver an effective Public Health service to fulfil its statutory obligations<br><br>- Increased clinical risk to patients and Bromley residents                                                                                                                                                                                                                                                                                      |                          |                            |
| <b>Risk Owner</b>                            | Director of Public Health                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                          |                            |
| <b>Gross Impact</b>                          | <b>Gross Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>Gross Risk Rating</b> | <b>Gross Risk Score</b>    |
| 4                                            | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | High                     | 16                         |
| <b>Existing Controls</b>                     | - Working with partners including the CCG and Hospital Trust to jointly deliver Public Health functions<br><br>Contract Monitoring<br>- Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money                                                                                                                                                                                                                                                                              |                          |                            |
| <b>Net Impact</b>                            | <b>Net Likelihood</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>Net Risk Rating</b>   | <b>Net Risk Score</b>      |
| 4                                            | 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Significant              | 12                         |
| <b>Proposed Actions</b>                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                          |                            |
| <b>Financial Implications</b>                | 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 has been managed successfully resulting in no ongoing pressures being reported. Any resulting over or underspend will be carried forward and offset against future grant allocations.<br><br>Due to early realisation of savings, additional grant has been freed up for 2016/17 of £500k. This surplus has been utilised to support 0-5 Children's Centre expenditure. |                          |                            |

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# Risk Matrix

# Appendix D

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

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

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

**High:** Review controls and actions every month

**Significant:** Review controls and actions every 3 months

**Medium:** Review controls and actions every 6 months

**Low:** Review controls and actions at least annually

## Risk Impact guidelines

## APPENDIX D

| Score / Risk Examples      | Compliance and Regulations                                                                                      | Financial                         | Service Delivery                                             | Reputation                                                                                                   | Health and Safety                                                             |
|----------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| <b>Insignificant<br/>1</b> | 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<br><br>Low local coverage                            | Minor incident resulting in little harm                                       |
| <b>Minor<br/>2</b>         | 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<br><br>Adverse local media coverage                                       | Minor Injury to Council employee or someone in the Council's care             |
| <b>Moderate<br/>3</b>      | Breach of internal regulations leading to disciplinary action<br><br>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<br><br>Adverse national media coverage | Serious Injury to Council employee or someone in the Council's care           |
| <b>Major<br/>4</b>         | 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<br><br>Resignation of Director(s)                                | Fatality to Council employee or someone in the Council's care                 |
| <b>Catastrophic<br/>5</b>  | 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<br><br>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"><li>Remote</li></ul>         | <ul style="list-style-type: none"><li>10-yearly</li></ul> |
| 2     | <ul style="list-style-type: none"><li>Unlikely</li></ul>       | <ul style="list-style-type: none"><li>3-yearly</li></ul>  |
| 3     | <ul style="list-style-type: none"><li>Likely</li></ul>         | <ul style="list-style-type: none"><li>Annually</li></ul>  |
| 4     | <ul style="list-style-type: none"><li>Highly Likely</li></ul>  | <ul style="list-style-type: none"><li>Quarterly</li></ul> |
| 5     | <ul style="list-style-type: none"><li>Almost Certain</li></ul> | <ul style="list-style-type: none"><li>Monthly</li></ul>   |

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**BROMLEY - CORPORATE RISKS / ORGANISATIONAL ISSUES - NOVEMBER 2016**

| CORPORATE RISK                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | RESPONSIBLE OFFICER | PRIORITY ACTIONS                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>FINANCIAL (failure to deliver a sustainable Financial Strategy which meets BBB priorities and failure of individual departments to meet budget)</b></p> <p><b>Issues:</b></p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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).</li> <li>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.</li> <li>5. Dependency on external grants to fund services (schools and housing benefits are ring-fenced) - effect if grant reduces (Public Health services) or ceases.</li> <li>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).</li> <li>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.</li> <li>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%).</li> <li>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.</li> <li>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).</li> </ol> | Director of Finance | <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><b>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')</b></p> <p><b>Issues:</b></p> <ol style="list-style-type: none"> <li>1. Driven by budgetary considerations.</li> <li>2. Our low cost base reduces the scope to identify efficiency savings compared with a higher cost organisation.</li> <li>3. Availability of quality data to support decisions.</li> <li>4. Capacity to deliver the Commissioning agenda.</li> <li>5. Capacity of key areas to deliver outsourcing i.e. ICT (supporting IT and information transfers), HR, procurement teams and legal services.</li> <li>6. Impact of not being able to outsource targeted services means that additional savings are required elsewhere.</li> <li>7. Ensuring that we adequately engage with Members and consult staff, residents, service users, businesses and other interested parties.</li> <li>8. Contracts and SLAs fail to deliver required quantity / quality / value for money services.</li> <li>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.</li> </ol> | <p>Director of Commissioning 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><b>HEALTH AND SOCIAL CARE INTEGRATION (failure to have a plan in place by 2017 for full implementation by 2020)</b></p> <p><b>Issues:</b></p> <ol style="list-style-type: none"> <li>1. Difficulty in achieving rapid change in a system as complex as health and social care.</li> <li>2. Rising social care costs due to ageing population and people living longer with increasing complex needs.</li> <li>3. Difficulties with agreeing budgets (given likely funding reductions going forward), complex governance arrangements, and workforce planning.</li> <li>4. Need to focus on collaborative working (cultural differences).</li> <li>5. Diminishing / reduced resources and changes in the way public funds are directed.</li> <li>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.</li> <li>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.</li> </ol>                                                                                                                                                                                                        | <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><b>ORGANISATIONAL CHANGE (failure to manage change and maintain an efficient workforce with the result that BBB priorities are not met)</b></p> <p><b>Issues:</b></p> <ol style="list-style-type: none"> <li>1. The on-going need to reduce the size and change the shape of the organisation to secure priority outcomes within the resources available.</li> <li>2. Having the right people in place by implementing effective recruitment and retention strategies.</li> <li>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).</li> <li>4. Disruption while services realigned and staff appointed to new structure.</li> <li>5. Increasing demands and pressures on remaining staff given increased customer expectation levels, could lead to morale issues.</li> <li>6. Increased potential for internal controls to be bypassed due to flatter reporting structure.</li> <li>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.</li> <li>8. Potential future shortage of professionally qualified practitioners in key areas, particularly around the Safeguarding agenda.</li> <li>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.</li> <li>10. Adverse industrial relations climate with individual and collective grievances including trade disputes with the unions, causing some disruptions to vital Council services.</li> <li>11. Increasing number of employment tribunal cases causing financial and administrative inconveniences.</li> <li>12. Having the right buildings and facilities to support fewer, more professional, differently organised staff.</li> <li>13. Potential changes to working relationship with Members as we move to a smaller organisation.</li> <li>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).</li> <li>15. Adequacy of consultation on issues that affect residents across the borough i.e. re-organisation of libraries, Biggin Hill expansion.</li> <li>16. Adverse external audit comment and resulting ratings in relation to 'excellent in the eyes of local people'.</li> </ol> | <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><b>CONTRACT MANAGEMENT (failure to manage and monitor contracts effectively resulting in reduced performance and increased customer complaints)</b></p> <p><b>Issues:</b></p> <ol style="list-style-type: none"> <li>1. Ensuring client side staff have the necessary training and skills to manage and monitor contracts.</li> <li>2. Ensuring effective communication channels between client and provider to ensure contract compliance.</li> <li>3. Need for monitoring officers to check quality of outsourced services and customer satisfaction levels.</li> <li>4. Lack of understanding of the contract deliverables.</li> <li>6. Short cuts in procurement processes e.g. extending contracts rather than retendering.</li> <li>7. Compatibility of different systems and availability of IT support.</li> <li>8. Failure of a contractor / partner / provider to maintain agreed service levels resulting in an interruption to or deterioration of service delivery.</li> <li>9. Potential for operational errors / omissions by contractors (responsibility remains with LBB).</li> <li>10. Managing customer expectations and dealing with complaints where there are failures.</li> </ol>                                                                                                              | 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><b>INFORMATION COMMUNICATION TECHNOLOGY (failing to maintain and develop ICT information systems to reliably support departmental service delivery)</b></p> <p><b>Issues:</b></p> <ol style="list-style-type: none"> <li>1. Need to ensure that Information systems are fit for future business purpose.</li> <li>2. Capacity and skill within Corporate ICT to maintain and support systems during a period of significant change and in the future.</li> <li>3. Increasing reliance on stability of ICT infrastructure in all areas of the Council (Lync telephony service).</li> <li>4. Council website now a major channel for the delivery of services (Pay for it, Apply for it, Report it).</li> <li>5. Adequacy of information governance data protection rules to ensure the confidentiality, integrity and availability of information assets.</li> <li>6. IT failure impacting on critical operational systems.</li> <li>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.</li> <li>8. Transfer of IT contract to new ICT 3rd party supplier in 2016.</li> </ol> | 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><b>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)</b></p> <p><b>Issues:</b></p> <ol style="list-style-type: none"> <li>1. Unavailability of Council offices / depots due to explosion / fire / flood etc.</li> <li>2. Operational emergencies due to severe weather conditions, fire, or major incident.</li> <li>3. Availability of trained staff to respond to external emergencies (the Council is a Category 1 responder).</li> <li>4. Loss of key business systems due to power problems or system failure.</li> <li>5. Inadequate IT disaster recovery arrangements leading to dislocation of Council services.</li> <li>6. Sustained industrial action affecting key services.</li> <li>7. Lack of Business Continuity Plan testing.</li> <li>8. Adequacy of contractor's business continuity plans.</li> <li>9. 'Flu' pandemic which could have a widespread impact across the borough.</li> </ol> | Director of Environment and Community Services | <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><b>Inability to deliver effective Children's Social Care services. (failure to discharge Children's Social Care functions)</b></p> <p><b>Issues:</b></p> <ol style="list-style-type: none"> <li>1. Failure to deliver effective children's services to fulfil safeguarding obligations and protect those at risk of sexual exploitation or missing from care.</li> <li>2. Failure to prevent a child or young person from suffering significant harm or death.</li> <li>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</li> <li>4. Unfavourable media coverage and loss of credibility</li> </ol> | <p>Directors,<br/>Specifically<br/>Executive Director of<br/>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. 14-15 New social workers in the process of being recruited</p> <ul style="list-style-type: none"> <li>- £950K available for immediate use to build capacity</li> <li>- £2.3m available on a recurring basis for Children's services</li> </ul> |

| 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> |

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

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